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NEWS SUMMARY

GENERAL

China warns on 'boat people'

The South-East Asian refugee problem has become an international disaster and other nations should curb Hanoi's "criminal action of creating and exporting refugees," China has warned.

The attack on Vietnam by the Chinese Foreign Ministry came as Malaysian security forces yesterday sent back about 800 refugees who had landed on the north-east coast.

Malaysia has threatened to deport its 76,000 so-called "boat people" and to shoot any new arrivals. Their plight will be raised in the House of Commons today by Mr. David Ennals, former Social Services Secretary. **Page 2 and 16**

Ayatollahs row

Iran's two main religious leaders, Ayatollahs Khomeini and Shariat-Madari, are nearing a clash over the draft constitution and the method by which it should be approved.
Page 2; Editorial comment Page 16

Syria-Iraq link

The Presidents of Syria and Iraq held private talks in Baghdad on merging their countries into a single state, amid increasing tension between Iraq and Iran.

Ghana fears

More executions are expected in Ghana following the deaths of former Head of State Gen. Ignatius Acheampong. The country today holds its first general election in over nine years. **Page 2**

BR fund art

The main British Rail pension fund invested a further £5.75m in works of art last year, bringing the book value of the portfolio to £18.5m and comprising nearly 950 items. **Back Page**

Fete disaster

A girl of 15 was killed and 29 others, mainly children, were injured when a mock train pulled by a tractor overturned at a fete near a U.S. air base at Burnt Wood, Cheshire.

Pre-VAT rush

Stores throughout Britain saw brisk trade at the weekend, with takings up by 40 per cent to 100 per cent on normal levels as shoppers beat the deadline of value-added tax going up to 15 per cent today. Electrical and household goods, furniture and carpets were particularly popular. **Page 5**

Death probe

Detectives chartered an aircraft to collect Broadmoor patient Ronald Sailes from Glasgow for questioning in connection with the death of 16-year-old Plymouth girl Anita Quarle, whose mutilated body was found on Wednesday.

Slice of luck

Golfer Don Rogers was in for a surprise when he hit his 15th tee shot at Cranbrook Golf Club in Kent. The ball flew 200 yards straight into the back pocket of the club's vice-captain who was crouching beside the fairway. He was not hurt.

Briefly . . .

Englishman Paul Parsons, whose attempt to sail the Atlantic in a rubber dinghy failed after he collided with a whale, has joined the crew of a rescuing fishing boat.

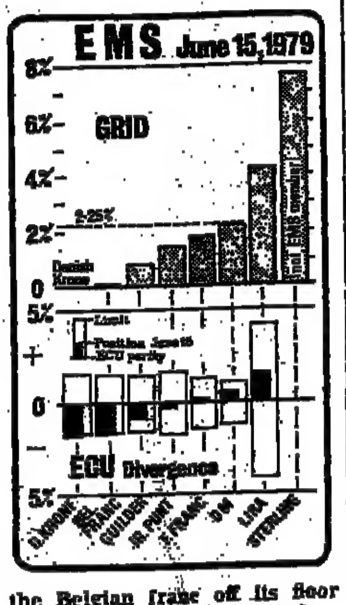
Soldier in Belfast was seriously injured when his rifle went off shooting him in the stomach.

About 270,000 Venetians have begun voting on whether the city should be split from its industrial suburb of Mestre.

BUSINESS

Belgium defends weak franc

● **STRENUOUS efforts by the Belgian authorities to defend the franc (including sales of D-marks on several days last week and a further rise in the discount rate to 9 per cent) helped**



the Belgian franc off its floor against the D-mark last week.

The Danish krone was the weakest member of the European Monetary system on Friday, with the Bundesbank buying DKr. 5.8m when the krone was fixed at its lower intervention level of DM 34.645 per 100 krone.

● **JAPANESE** corporate borrowers, who for the past year have favoured borrowing in D-marks and Swiss francs, are now reverting to the more traditional dollar. **Page 22**

● **GOVERNMENT** hopes as soon as possible to change the way tax on companies is adjusted for the effects of inflation, and the new inflation accounting code, at present under discussion with the accountancy profession, could become the basis for company taxation in the 1980-81 finance year. **Back Page**

● **INSOLVENCY** Law Review Committee is expected to recommend wide-ranging changes in company insolvency law, particularly concerning the duties of receivers. **Back Page**

● **EEC FARM** Ministers begin intensive talks today on Commission proposals for a common price freeze, a 5 per cent tax on milk production and a cut in sugar subsidies. Britain's Peter Walker wants UK farmers exempted from the freeze and has asked for a 5 per cent devaluation of the Green Pound. **Back Page**

● **GATT** pact should create up to 130,000 jobs in the U.S. and cut U.S. inflation by between 0.4 per cent and 0.6 per cent, according to Mr. Robert Strauss, President Carter's representative at the trade talks in Geneva. **Page 3**

● **BOEING** of the U.S. and the European Airbus Consortium appeared as the main contenders for contracts for the world's aircraft for the next 10 years at the Paris international air show. Boeing expects to corner up to 65 per cent of the market, and the Airbus consortium up to 25 per cent.

● **POST OFFICE** chairman, Sir William Barlow has blamed selective small-scale strikes by postal unions for worsening postal services. **Page 7**

COMPANIES

● **LONDON** and Overseas Freighters' earnings improved sharply in the second half of 1978-79, limiting the trading loss for the year to marginally less than the £1.95m seen at half time. **Page 18**

● **STANDARD TELEPHONES** and Cables forecasts a £32m pre-tax profit this year. **Page 18 and Lex**

Carter puts 10-year arms cut blueprint before Brezhnev

BY JUREK MARTIN IN VIENNA

President Jimmy Carter laid before President Leonid Brezhnev of the Soviet Union yesterday the U.S. blueprint for wide-ranging arms reduction negotiations over the next decade.

His exposition, considered by U.S. officials to be the key forward-looking element in the Vienna summit, is bound to have considerable potential impact on the NATO Alliance.

As a result, the U.S. is sending a special team from Vienna to Brussels for the Strategic Arms Limitation Talks, for a special briefing tomorrow on both the U.S. ideas as expounded in Vienna and on the Soviet response.

A senior White House official said that included in Mr. Carter's expanded agenda for the 1980s were non-strategic weapons in the European theatre, civil and air defence systems, advanced missiles, much more complex verification problems than so far encountered in either of the first two SALT agreements, plus highly technical issues, such as problems associated with low-level short-range submarine-launched missiles.

In addition, the U.S. envisages further negotiations on arms subjects already discussed with the Soviet Union without substantive agreement, including limitations on conventional arms transfers and on so-called "killer" satellites.

The official said that progress had been made here on this last question, but that the talks had "hit a snag" over the military applications of the U.S. space shuttle.

The Soviet response, according to U.S. officials, was largely to couch its ideas for SALT III in what were described as "familiar terms."

But it was also emphasised that Mr. Carter's exposition had prompted the liveliest two-way exchanges so far at the summit, with Mr. Brezhnev, aided by Mr. Gromyko and Mr. Ustinov, his Foreign and Defence Ministers, frequently intervening in the debate and by no means always from a negative standpoint.

... In the U.S. view, the summit is proceeding well; encouragement is taken from the fact that the discussions have been marked "by the absence of acrimony" and from what is portrayed as Mr. Brezhnev's "genuine interest" in the proceedings.

Alluding to Mr. Brezhnev's health, the senior White House official said that the Soviet President was in his seventies and was "making a valiant effort to represent his country in difficult circumstances."

But it is considered just as significant that Mr. Brezhnev seems determined that the probable next generation of Soviet leadership, some of whim he has brought with him to Vienna, should now share his thinking and planning for the future.

Generally, the U.S. side, out of a sense of diplomatic nicety, has refused comment on Mr. Brezhnev's health and appearance, a subject of macabre and pervading fascination.

The Russians, for their part, have tried to redress what they perceive as an imbalance by asking public questions about the state of Mr. Carter's political health.

In looking ahead to SALT III, U.S. officials point out that, like its predecessors, it would remain principally a bilateral Soviet-American arrangement. But, it is accepted, its political dimensions will be different.

One official said: "We recognise that the potential for suspicion exists among the Allies."

As a result, as well as tomorrow's Brussels briefing, the U.S. was committing itself to taking no decisive initiatives in Vienna or subsequently without full prior NATO consultation.

The principal bones of contention in SALT III are likely to be the French and British retention of their independent nuclear deterrents, and the Russian insistence that these be included in any future arms limitation agreement, plus the precise content and deployment of NATO's upgraded nuclear offensive capability.

The U.S. is holding out the

Continued on Back Page
Tensions at the summit Page 2

P & O to sell Beatrice oilfield stake to BP

BY KEVIN DONE, ENERGY CORRESPONDENT

P AND O, the financially troubled shipping group, is expected to sell its share in the Beatrice oil field in the North Sea to British Petroleum.

Final details of the agreement should be settled this week and the sale is likely to be announced in the next few days.

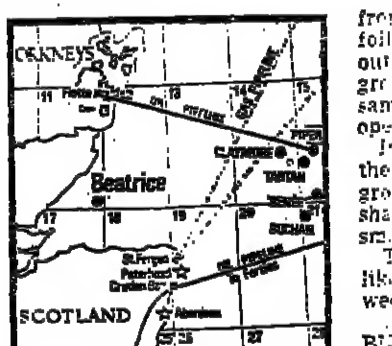
P and O is selling off most of its energy assets in an attempt to improve its financial strength after a dramatic fall in profitability last year.

The strategy divided the P and O board and was one of the main factors behind the resignation earlier this year of Mr. Sandy Marshall, the former chief executive.

The company is pressing ahead with the sale of its 15 per cent share in the Beatrice Field, which Lord Inchape, the group's executive chairman, considers to be a less reliable investment prospect than some of P and O's other activities, such as property.

P and O would need to spend about £46m as its share in developing the Beatrice Field, and that scale of commitment to the energy sector is no longer part of its long-term strategy which will concentrate more heavily on its traditional shipping interests.

The Beatrice Field is located in block 11/30 in the Moray



Firth, about 12 miles from the Scottish coast.

The total cost of developing the field, one of the smaller North Sea finds, is likely to be about £300m. It has an estimated 160m barrels of recoverable reserves of a rather high wax crude oil.

The field will be linked by a pipeline to the Cromarty Firth and first production is expected in the summer of 1981.

The group of companies developing the Beatrice Field has been one of most unsettled partnerships in the North Sea and there has been a big transfer of licence interests since the beginning of the year.

Five months ago, the British National Oil Corporation bought a 10 per cent share in the field from Hunt Oil of the U.S. It followed this in April by buying out the interests of the Mesa group, also of the U.S. At the same time it became the operator of the field.

In a parallel deal, Deminex, the West German oil exploration group, bought the 15 per cent share held by Creslenn, another small U.S. oil company.

The BNOC deal with Mesa is likely to be formally signed this week.

As a result of these deals BNOC will emerge as the main shareholder with 28 per cent along with Kerr McGee, 25 per cent, Deminex 22 per cent and Hunt Oil 10 per cent.

BP will acquire a 15 per cent interest. On the basis of BNOC's deal, the P and O holding should be worth about £15m. But it is thought that BP is willing to pay considerably more for this latest expansion of its North Sea interests.

It is already operator of the Forties, Magnus and Buchan Fields and has a significant interest in the Ninian Field, which came on stream six months ago.

A big attraction for BP in this latest deal is that it will be able to offset development costs at Beatrice against some of its tax commitments arising from the prolific Forties and Ninian developments.

Shipbuilding order lost after £30m subsidy is blocked

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

THE GOVERNMENT has refused to come forward with a £25m to £30m subsidy to enable British Shipbuilders to win an order for a sophisticated North Sea support vessel from Shell.

An announcement to this effect is expected today in the first of a series of statements in the next few weeks in which the Government will state its policy for the shipbuilding industry.

The decision on the Shell vessel, which will be built by the Rauma Repola yard in Finland for a reported contract price of £40m, is a severe blow to the Clydeside yards of Scott Lithgow and Govan, which had jointly bid £70m.

Scott Lithgow badly wanted the order to strengthen its claim to be a leading centre of offshore engineering after the booking, with a Government susidy, of a similar vessel from British Petroleum last year.

Govan, which would have handled most of the steelwork for the Shell vessel, desperately needs work. It faces heavy redundances next month when work on the £115m Polish shipping deal, its only contract in hand, starts to run out.

The Government's decision on the Shell order is not, however, being interpreted within the industry as an omen of sudden cuts on shipbuilding subsidies.

After a series of detailed talks with Ministers, industry leaders appear confident that subsidies will continue at broadly the level expected by the previous government, which had announced a £250m cash limit for 1979 for British Shipbuilders and a doubled loss limit of £100m.

Negotiations are centering on two questions: which yards should be closed as orders dry up and in what form should the Government assist the industry?

On cuts, the Government is expected to back British Shipbuilders' preferred option in the corporate plan drawn up last year. This encisages a loss of 12,300 jobs. Since the plan was drawn up 6,700 men have already left the industry.

The corporation has told the Government that it wants to retain all its major shipbuilding centres, closing minor yards, such as Scotstoun (part of Govan), Robb Caledon and part of Scott Lithgow, Swan Hunter and the Tyne Shiprepair Group.

The problem is that by the end of the summer there will be no work at Govan, which employs 5,500 men, and there is no prospect that the 30 per cent per ship subsidies available under the £85m shipbuidlding intervention fund are about to produce the required business.

Four possibilities are being studied for future financial asistance:

● A scarp and build plan, as drawn up by the EEC, but to be run and financed nationally if the EEC initiative fails.

● Building ships for stock.

● Finance for more public sector ship orders.

● A special credit package to encourage UK owners to build shops in UK yeards.

France asks EEC to adopt oil plan

By Guy de Jonquieres, Common Market Correspondent

THE FRENCH Government will ask its EEC partners today to establish a three-year joint programme for reducing oil imports, restricting the Rotterdam spot market and intensifying development of non-oil energy resources, particularly nuclear power and coal.

The plan will be discussed by EEC Energy Ministers in Luxembourg today. France hopes it can be formally agreed by Common Market Heads of Government at their meeting in Strasbourg on Thursday and Friday.

The Community would then submit the programme to the world economic summit to be held in Tokyo on June 28-29, where it would urge other major Western countries to associate themselves with it.

France's proposals, submitted in its caacity as resident of the EEC Council of Ministers, are set against a background of deeening concern about the economic impact of the recent oil supply shortages and resulting surge in prices.

M. Francois-Xavier Ortoli, the EEC Commissioner for Economic Affairs, will tell Finance Ministers in Luxembourg that he expects the average economic growth rate in the Community to be no more than 3.4 per cent this year and to fall to 2.8 per cent in 1980. The commission had previously forecast growth of 3.5 per cent in 1979 and 3.1 per cent in 1980.

M. Ortoli also believes that the rate of inflation, measured by the GNP deflator, will increase from an average of 7.1 per cent last year to 8.5 per cent this year and will be 8.3 per cent ni 1980. He expects the increases to be sharpest in the UK, France, Italy and Ireland, where inflation rates are already above the Community average.

According to his "conservative" calculations, the unemployment rate will edge up to 5.7 per cent next year from 5.5 per cent this year.

France's proposals for tackling the energy problem, contained in a memorandum to other EEC Governments, call for the establishment at EEC level of firm overall objectives. But it would be up to individual governments to decide how best to attain them.

The momorandum says the Community should set itself global annual targets for a reduction in oil imports from now until 1982. Other consuming

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Gas flaring continues and Saudi-Italy deal, Back Page

Callaghan warns unions on militancy

BY RICHARD EVANS, LOBBY EDITOR

MR. JAMES CALLAGHAN warned the trade unions last night not to use their industrial muscle to attempt to bring down the Conservative Government but to leave opposition to the Labour Party in Parliament.

His intervention comes as worries are growing among Government and Opposition leaders that the rising inflation rate and prospect of higher unemployment might lead the unions to adopt militant tactics next winter in an effort to change the Government's economic strategy.

The Opposition Leader's purpose was to express the dangers of industrial anarchy before the trade unions decide specific tactics for the next wages round. In the forefront of his thinking was clearly the damaging effects of last winter's disputes caused by union opposition to Government policies.

Mr. Callaghan pledged without qualification in a speech to Labour women at Felixstowe that the Labour Party would not support industrial action taken for purely political objectives. "The Conservative Government was elected through the ballot box and it must be removed from office by the same method," he declared.

The pressures on trade unions to act militantly this autumn are lent weight in deply gloomy Treasury forecasts that point to inflation's approaching 20 per cent next year and unemployment possibly exceding 2m in the next few years if the country's economic performance continues at its present level.

No doubt exists that the forecasts have apalled Labour leaders and increased the apprehension of many Tory MPs at economic and industrial prospects after the Budget gamble. Sir Geoffrey Howe, Chancellor of the Exchequer, will have an opportunity to comment when he concludes the debate on his Budget statement int he Commons today.

However, all indications remain that Sir Geoffrey, with the total support of Mrs. Margaret Thatcher, intends to persevere with the change of direction and the imposition of the strictest monetary controls, although it is acknowledged that that might result in conflict with the trade unions before the benefits become apparent.

There were firm denials in Whitehall yesterday that the Treasury forecasts had been deliberately suppressed because they were politically so sensitive. Officials pointed out that the internal projections were

Mr. Callaghan: leave it to Parliament

never published nor circulated throughout Whitehall. Nevertheless, senior Ministers are to be questioned in the Commons on the allegations of suppression.

Mr. Callaghan referred to the forecasts in his speech by observing that the country was heading for rocketing inflation and unemployment. He accused the Government of "staggering complacency" by showing no signs that its actions were causing deep and genuine concern.

His intervention on the trade union use of industrial power will be warmly welcomed by Ministers, although some Tory MPs expressed doubts last night that the former premier retained enough influence over union leaders for his counsel to be meaningful.

He urged the party, which faces internal strife over policies and strategy, to consider in particular how to respond to the Government's intention to destroy what the Labour Government had built up; what positive attitudes the Labour Party should present to the country and the policies that would follow; and the need to make dramatic improvements in the party organisation and to increase membership.

Mr. Callaghan faces a concerted effort by the Left to gain the levers of power by altering party rules on the election of a leader and the re-selection of MPs, and by controlling the purse strings.

The next development will come tonight when Mr. Norman Atkinson, party treasurer, will seek the support of the party's finance committee to channel Government funds for the Opposition through Transport House and the National Executive rather than through the party leadership.

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Hope for resumption of DC-10 flights

By Lynton McLain

EUROPEAN operators of the DC-10 are to meet officials of the U.S. Federal Aviation Authority in Zurich this afternoon to discuss revised maintenance plans which may lead to a resumption of operations this week. McDonnell Douglas, the manufacturer, will also attend.

The plans have been drafted by British Caledonian Airways, Swissair and Alitalia. The Italian state airline said on Friday that it was not in a position to confirm a possible new order for more DC-10s.

Details of the revised maintenance suggestions were put to European air-worthiness authorities and other European DC-10 operators on Friday.

The hope is that the European Civil Aviation Conference, which is holding an extra-ordinary meeting as the forum for the Zurich gathering, will endorse the proposals as more than adequate

Rome terrorist raid

Right-wing terrorists have raided a Communist party branch in Rome, injuring 24 people in the first major outburst of political violence since the Italian general election at the beginning of this month. Paul Betts writes from Rome.

Genscher wins victory over anti-nuclear activists

BY ROGER BOYS IN BREMEN

THE FREE Democratic Party (FDP), junior partner in West Germany's ruling coalition, has averted a head-on collision over nuclear policy by coming out in favour of the continuing, though careful, use of atomic energy.

The agreement, reached after a weekend of often heated debate at the party conference here in Bremen, represents a limited victory for the FDP leadership over the anti-nuclear lobby. Herr Hans-Dietrich Gensher, the West German Foreign Minister and FDP Chairman, is understood to have agreed last week with Chancellor Helmut Schmidt that the coalition parties should not let themselves be cornered into ruling out the nuclear option for temporary political advantage. Herr Genscher made the position clear in his opening speech on Friday, saying that a vote against nuclear power would be a vote against his leadership.

It was, however, a close run thing. On Saturday Herr Hans Joachim Lahmann, the chief of the Bremen FDP, put forward a motion that permission should not be granted for the construction of new nuclear reactors or storage facilities until all possible alternative sources of energy had been researched and until safety standards were found to be impeccable.

This move, which would clearly have made th eFDP's position within the coalition extremely difficult, was defeated by only two votes—a testimony to the power of the anti-nuclear activists in the party.

Many of the anti-nuclear delegates came from those regions hit hardest by the success of the Ecologist Party in the recent European elections. In those elections the FDP won 6 per cent of the vote, only about 2 2 per cent more than the Ecologists.

The anti-nuclear activists proved also to be the most assiduous supporters of immediate energy conservation measures. Proposals were put forward to impose special levies on factories which waste heat, on diverting the federal research budget into alternative sources of energy and on limiting petrol consumption by the imposition of stricter speed limits.

All of these motions were defeated, primarily because of the intervention of Count Otto Lambsdorff, the West German Economics Minister and a leading figure in the FDP who repeatedly argued the "structural" measures would increase both unemployment and inflation and could well plunge the car industry into recession. Count Lambsdorff, like Herr Genscher, supports the cause of nuclear power providing that all major doubts about safety are eliminated.

The ultimate decision on nuclear power, though framed in terms of "flexible and rational response to the energy problems of the Federal Republic" was partly determined by electoral necessity. With general elections due next year the party is evidently reluctant to strike too radical a pose.

France revives solar scheme

BY TERRY DODSWORTH IN PARIS

THE FRENCH Government has relaunched its troubled solar energy programme only three weeks after it seemed to be in danger of collapse because of increasing costs.

New finance for the project will take it through to 1982. The total cost will be FFr 160m (£17.5m) split between the Commission for Solar Energy (FFr 85m), the Electricity Authority (FFr 60m) and the regional authority of Languedoc-Roussillon (FFr 15m).

The programme consists mainly of the Themis experimental power station of 2.3m MW at Targassonne in the western Pyrenees. There will also be a medium-temperature power station at Ajaccio, Corsica.

PRESIDENT MARCOS
Need to be "convinced"

Marcos halts reactor project

By Daniel Nelson in Manila

YET ANOTHER controversy has broken out over the Philippines' £600m nuclear power project.

A halt to construction work has been ordered by President Ferdinand Marcos, and Government legal experts are investigating the possibility of cancelling the Westinghouse contract for alleged violation of the implied warranty of safety. The turnkey contract was signed in February 1976.

The President claimed at the weekend that Westinghouse had failed to fulfil a request made a week after the March 28 Three Mile Island incident in the U.S. to send a team to discuss safety features of the plant.

A former Senator and a member of the National Assembly have been appointed to inquire into all the safety aspects of the project — even those, such as earthquake hazard and the disposal of nuclear waste — which have been raised by critics since the scheme's inception.

President Marcos said he would not lift the construction suspension until he was convinced the plant "posed no danger to the public."

The U.S. Nuclear Regulatory Commission has still not approved an export licence for the reactor components, and some construction work, such as the water intake and outlet system, is behind schedule.

The plant, which is part of a Government programme to reduce the country's 90 per cent dependence on imported oil, is due to come on line in 1983.

But National Power Corporation (NPC) projections do not count on its 620 MW contribution to the energy grid until the following year.

NPC officials are concerned that a delay in completing the reactor could cause a reserve deficiency problem in the electricity generating industry.

Last month, an NPC official told the Financial Times: "If the U.S. licence is not issued by June, we could be hurt." As a precaution, the NPC initiated studies on alternative sources of power, particularly geothermal and gas turbine.

Allegations of deficiencies in the engineering and design of the plan, including inadequate safeguard against earthquakes, were detailed some time ago in a letter to President Marcos by Mr. Daniel Ford, executive director of the Union of Concerned Scientists, of Cambridge, Massachusetts.

These and other criticisms provoked Westinghouse to commission an independent inquiry which found no evidence that the project "cannot be expected to operate safely, reliably and economically."

Tension between systems shows at summit

BY DAVID SATTER IN VIENNA

THE FIRST MEETING between Mr. Leonid Brezhnev, the Soviet President, and President Carter may improve the atmosphere of Soviet-U.S. relations but, in this neutral and historic Viennese setting, there is ample evidence that interaction between *the American and Soviet* systems does not come without strain.

Tension derives from the fact that although the U.S. is a democracy and the Soviet Union is a dictatorship with a totalitarian structure, the Soviet leaders strive consistently to depict their country as a democracy, a feat more easily accomplished within the Soviet Union than in Vienna.

The possibility that the U.S. Senate may refuse to ratify SALT 2 has been an important concern at the summit and when Mr. Leonid Zamyatin, chief of international information for the Communist Party Central Committee, was asked at a press conference if the ratification question had been raised in the talks, he said that it had been and was agreed to be an internal matter for each country.

Mr. Zamyatin then added that Mr. Brezhnev expressed his hope and confidence that the Supreme Soviet, which he described as the Soviet legislature, would approve the treaty with*out amendments.*

The Supreme Soviet is a purely formal, powerless body which votes unanimously to approve all policies of the Communist Party leadership and when Mr. Zamyatin's reference to it was met with laughter in the hall, he said: "I ascribe this laughter to lack of knowledge of the Soviet structure."

Obligations of protocol and great power equality demand that the two sides have the opportunity for an approximately equal number of press conferences, airport ceremonies and public apearances, but these activities, familiar to the Americans and to any broadly popular democratic politician, are a visible strain for the Soviet *leadership.*

Mr. Brezhnev has avoided making statements in public and his public appearances, either going into the talks with President Carter or coming out of them, have been as brief as possible.

The one-hour Press conference, at which correspondents had a chance to question Mr. Zamyatin, was at least half taken up with a lengthy description of Mr. Brezhnev's commitment to peace and to questions by Soviet journalists, who are also Government officials, about U.S. missile deployment and NATO.

The questions were propagandist and raised arguments that could only be answered in considerable detail. As intended, they took up time that could have been used in gaining information.

Mr. Jody Powell, President Carter's Press secretary, betrayed annoyance with the Soviet journalists' questions and with statements by Mr. Zamyatin.

Mr. Powell also reacted sarcastically to Mr. Zamyatin's remarks about ratification.

Malaysia expels 800 boat people

KUALA LUMPUR — Malaysia pushed about 800 Vietnamese refugees out to sea in a repaired Vietnamese boat yesterday—two days after Datuk Mahathir Mohamed, Malaysia's Deputy Prime Minister, announced the Government's new policy toward refugees.

Under a tight cordon of security forces, the refugees, mostly women and children, were herded on to the boat, in Kota Bharu, 250 miles north-east of Kuala Lumpur. They were given fuel, food and water, then sent to sea.

Tengku Ahmad Bithaudeen, Foreign Minister, said Malaysia was justified in towing the Vietnamese refugees out to sea, because of the dismal Western response to the problem.

"The response is so bad, that our patience is at an end. There is a limit to our capacity to take these illegal immigrants, and compassion should begin at home."

In **Hong Kong**, more than 2,600 Vietnamese refugees aboard the freighter Skyluck yesterday refused, for the fifth day running, to accept food provided by the Hong Kong Government. The Vietnamese are on hunger strike to protest against the Government's decision to keep them on the vessel.

In Bangkok, 2,500 Cambodian refugees are reported to have been sent back to their embattled homeland at the weekend. This was said to be the second phase of a forced repatriation aimed at returning an estimated 40,000 Cambodians.

In Tokyo, the newspaper Yomiuri reported that the U.S. has asked Japan to accept more than 10,000 Vietnamese refugees for permanent settlement, but the Japanese Government "would not agree." Japanese Government officials were not available for comment.

Agencies

John Hoffmann reports from Peking: An official Chinese statement at the weekend said the South-East Asian refugee problem had become an *international disaster, and that Viet*nam was "the biggest and most despicable present-day human trafficker."

The Chinese Foreign Ministry urged firm measures by other nations to curb Hanoi's "criminal action of exporting refugees."

China also accused Vietnam of preparing for a war against Thailand.

Syria and Iraq close to accord

By Patrick Cockburn in Baghdad

SYRIAN AND Iraqi leaders appear to be on the point of *agreement on unity*, after two days of talks in Baghdad.

The aim of the talks involving President Hafez al-Assad of Syria, President Hassan al-Bakr of Iraq, and the principal Iraqi leader, Mr. Saddam Hussein, is total unity of the two states. The three leaders held a private meeting last night.

The key to agreement is unity of the Baath Party, which rules in both countries but has been bitterly divided since 1966. Precise division of Government and party posts between the two countries is not yet clear.

West Bank policy protest

BY OUR TEL AVIV STAFF

SOME 40,000 people turned out for a rally organised in Tel Aviv by the "peace now" *movement at the weekend* to protest against Government policy in the occupied West Bank.

In Nablus, the largest West Bank town, shopkeepers kept their businesses closed yesterday morning in protest against the establishment of the Eilon Moreh settlement near Nablus last week. The military government had banned a mass assembly and march on Eilon Moreh, but well over 1,500 people marched through the streets of Nablus and later started to throw rocks at Israeli military vehicles.

Meanwhile 17 Arabs from the village of Rujeib near Nablus have appealed to the high court against the seizure of their land for the building of Eilon Moreh.

In a separate development Israel has temporarily closed its borders to all UN vehicles coming from Lebanon following the chance discovery of two suitcases full of explosives, gelignite and hand grenades in the car of a Nigerian colonel serving with UN peacekeeping forces, when he was involved in a traffic accident on his way to Jerusalem. The sabotage material was apparently intended for Fatah cells

Ayatollahs on a collision course

BY ANDREW WHITLEY IN TEHRAN

IRAN'S two main religious leaders, Ayatollah Khomeini and Ayatollah Shariat-Madari, are near to head-on collision over the draft constitution and the method by which it should be approved.

The conflict between the two men has sharpened since Friday when the Government announced the holdin gof elections next month to a council of experts to study the draft. Supporters of Ayatollah Shariat-Madari threatened yesterday to invoke the overwhelming support they have among army officers if a fully fledged constituent assembly is not set up.

Meanwhile, a senior army officer, Brigadier-General Amir Rahimi was reported yesterday as blaming recent border attacks by Iraqi air and ground forces on the "disorganisation and weakness of Iran's army.

Gen. Rahimi, head of the military police, appealed for national support in the task of rebuilding a strong army to defend the borders and spoke of low morale in the armed forces. The issue is still highly controversial, with the main left-wing and radical guerrilla groups demanding the formation of a people's army.

In a speech published on Saturday, Ayatollah Khomeini made an out-spoken attack on those demanding a constituent assembly and a full public debate on the new constitution.

He told followers in Qom that these demands were a conspiracy to delay the implementation of the constitution by one or two years so that the "stinking roots (of the old regime) should triumph and the principles of Islam be done away with."

Without naming Ayatollah Shariat-Madari, who has been excluded from the decision making process despite his religious seniority, he criticised "Islamic deviationists."

The two old men are barely on speaking terms, but so far Shariat-Madari has refused to exercise the full strength of his support in the country as a whole, especially among the Azerbaijani community of 8m. A high proportion of army officers and lower rank professionals come from the Azerbaijan region of north-west Iran.

More executions expected in Ghana

BY MARK WEBSTER

GHANAIANS vote today in their first general elections for nearly nine years in a mood of shocked disbelief at the execution by firing squad of former Head of State Gen. Ignatius Acheampong and a member of his military Government.

Many more executions are expected soon following the death of the two leaders which has cast a shadow over the election.

The two men were charged with "using their positions to amass wealth and recklessly spending state funds," according to Radio Ghana.

They were brought before a secret military tribunal whose procedures have not been revealed. Many other senior officers are said to be in detention awaiting trial but their exact number is unknown.

The executions have been widely criticised in Ghana though the leaders of individual political parties have refrained from stating their positions openly.

At a weekend meeting with the political candidates Flt.-Lt. Gery Rawlings, the Chairman of the Armed Forces Revolutionary Council who ousted Gen. Fred Akuffo two weeks ago reassured them that the handover to civilian rule would take place no later than October 1.

But he said that negotiations would have to take place once the winner whas known to make sure that he would carry on the military's campaign of cleaning up the country.

The exercise which has been described as "house cleaning" by the military is designed to root out many of the figures who profited under military rule which has lasted since 1972 when Gen Acheampong overthrew the Government of Mr. Kofi Busia.

At the time the Government said it would be cleaning up the widespread corruption, but most observers agree that under the military things continued to deteriorate.

Flt.-Lt. Rawlings has said that he feared the miltiary would undermine any civilian Government if they were not rooted out immediately.

The programme for a return to civilian rule has long been awaited in Ghana. Ever since Gen. Acheampong's plan for a union Government of army and civilians was rejected when Gen. Akuffo seized power in July 1978 the political groupings have been pressing for elections.

In one of Africa's most politically sephisticated countries the lifting of the ban on politics in January this year provoked a rash of political activity which ended with the formation of 17 political parties.

In April the Government introduced new regulations which limited the number of parties to six and it is those six which are contesting the presidential and parliamentary elections today.

The politicians have been guaranteed that soldiers will not be on duty at the polling booths following fears that uniformed soldiers might frighten voters away.

Instead they have appointed nearly 20,000 policemen who will make sure there is no rigging. The first results of the elections are not expected before Tuesday night or Wednesday morning because of the great distances and poor communications.

● Dame Judith Hart, a former Overseas Development Minister in Britain, appealed over the weekend for the life of Gen. Akuffo, who is in custody and may face trial by revolutionary court, following his overthrow. Meanwhile Britain has formally recognised the new regime.

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Gatt pact 'should boost U.S. jobs by 80,000'

BY DAVID BUCHAN IN WASHINGTON

THE GATT trade accords should create between 80,000 and 130,000 new jobs in the U.S. and cut the U.S. inflation rate by 0.4-0.6 per cent over the next eight years.

Mr. Robert Strauss, President Carter's top representative at the trade negotiating sessions, stated this in Geneva.

Presenting what he called a "conservative" study by the U.S. Labour Department of the job benefits of the world trade agreements on the U.S., Mr. Strauss predicted that the agreements, to be formally introduced into both Houses of Congress this week, would meet little opposition from trade unions.

He expected Congress to wrap up its consideration of the accords by late July, after which Mr. Strauss is due to take over the U.S. mediation role in the Palestinian autonomy talks between Egypt and Israel.

The biggest gain, according to Mr. Strauss, will come from the mutual opening up by the U.S. and other countries of Government contracts to foreign bidders, under the new GATT Government Procurement Code.

It is estimated this would increase U.S. exports by between $1.34bn and $2.34bn, while increasing American imports by $0.34bn, for a net gain of between $1bn and $2bn a year.

In turn, this would create between 50,000 and 100,000 new jobs annually.

The U.S. and Japan would plug away at efforts to reach a bilateral procurement agreement before the GATT code comes into effect at the start of 1981, Mr. Strauss said.

It had been "a mistake" to rush an agreement on this controversial issue in recent months.

Under the new agreements, the world-wide tariff cuts, which for the U.S. amount to one-third reduction over eight years to an average tariff level of 5.7 per cent, should increase U.S. exports by $3.3bn and U.S. imports by $2.6bn.

The gain to the U.S. trade balance at the end of that period would thus be about $700m.

The U.S. is so far the only major Government to have attempted the tricky task of calculating the employment effects of the GATT accords, which contain many imponderables, particularly in the area of the multifarious codes governing non-tariff barriers.

This is perhaps because it has the most difficult problem of getting the accords ratified by its legislature.

Mr. Strauss' predictions and the Labour Department study paint a rosier picture than an earlier report by the Congressional Budget Office study — which, Mr. Strauss commented, was over-pessimistic, because it exaggerated the extent of tariff cuts finally agreed in Geneva.

The CBO study warned that older-fashioned industries, such as leather, textiles, glassware, and furniture—chiefly concentrated in northern and eastern parts of the U.S.—could be expected to lose jobs because of the trade agreements.

But Mr. Strauss said flatly last week that no state would be a net loser of employment, and that most would gain.

Jobs will certainly disappear —the Labour Department study calculated that tariff cuts would lose some 137,000 jobs, but create 167,000 new ones by the late 1980s.

But Mr. Strauss claimed the process would be gradual enough to prevent dislocation.

SHIPPING REPORT

Rates hold despite fears over oil

By Ian Hargreaves, Shipping Correspondent

SHIPOWNERS last week experienced mixed effects from rapidly increasing crude oil prices and supply shortages.

On the one hand, rates in both dry cargo and tanker shipping continue to range from the reasonable to the very high.

On the other, deep anxiety exists that the underlying downward trend in world economic growth thought likely to result from energy problems could plunge shipping back into crisis before the end of the year.

In the short term, shipowners' profitability is also being seriously restricted by higher fuel oil prices.

The degree to which the industry has recovered from the crisis triggered by the 1973 oil shock is well illustrated by the latest figures on the number of oil tankers laid up.

E. A. Gibson, the London brokers, reports that only 18.2m dwt of vessels were laid up last week, which is 2m dwt lower than a month earlier and well under half the amount of tonnage idle a year ago.

Over two-thirds of those ships still idle are very large crude carriers over 200,000 dwt. "The smaller units really are reaching total utilisation," the broker says.

As would be expected in these conditions, the demolition rate has slowed down, with only 3.7m dwt of ships going to the breakers' yards so far this year, against a record 15m dwt last year.

This general picture was clearly reflected in the pattern of trading last week.

The market for big tankers continues to be uncertain, with some slippage to below Worldscale 40 (with higher oil prices, a break-even figure) last week because of excess ships in the Gulf.

British Petroleum, which has entered the market for tonnage to be used in July, was said to have received firm offers of 16 or 17 ships.

Smaller sizes continued, however, to improve their freight rates and the shortage of oil products in the West has produced freakishly high rates for some smaller petroleum carriers.

COLOMBIAN PRESIDENT'S EUROPEAN TOUR

UK to push mine technology

BY HUGH O'SHAUGHNESSY, LATIN AMERICA CORRESPONDENT

"RELATIONS BETWEEN Columbia and Britain have never been bad," a leading Colombian remarked the other day, "but they've never been particularly close. Perhaps the President's visit will do something to improve things."

President Julio Cesar Turbay Ayala arrives in Britain at the beginning of next month for an official visit, one of the last on a punishing schedule which is this month taking him to Mexico, Lisbon, Madrid, Belgrade, Brussels, Switzerland and Moscow, if Mr. Leonid Brezhnev's health allows him to receive the Colombian head of state.

The Colombians make much of the fact that he is not travelling just on behalf of his own country but as the accredited representative of the whole of the Andean Pact, which includes Colombia, Venezuela, Ecuador, Peru and Bolivia.

At a recent meeting of the Andean presidents at the old Colombian colonial port of Cartagena, the Andean heads of state mandated President Turbay to speak for them on specific trade problems in Europe.

But the Colombian's difficulties with the industrialised countries are likely to be aired by President Turbay in Brussels rather than London. Here bilateral trade is likely to be top on the agenda. With exports to Colombia last year of nearly £50m against imports from Colombia of only half that Britain has a healthy balance.

Despite the fact that Colombia is one of the world's largest coffee producers, little of its coffee comes here. Its textile fibres and yarns account for well over half Colombia's sales to Britain.

For its part Britain will be seizing the opportunity of showing how its technology could meet Colombia's development needs.

Among the principal projects which British industrialists will want to talk to President Turbay about is the Cerrejon coal scheme.

Cerrejon, in the far north-east has the biggest deposits of coal in Latin America, provisionally put at 4bn tons but probably much more than that. The cost of exploiting them is put at $1.2bn, which would include the roads, port and other infrastructural works needed.

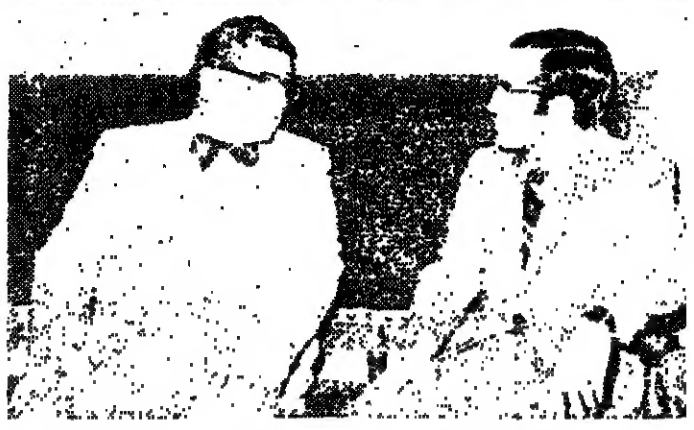
During his visit he will be taken to Longannet across the *Firth of Forth to be shown one* of the most modern of British coal mines, topped with a power station. Once Cerrejon is producing coal the Colombians expect to use it to fuel half their thermal power stations, thus saving on oil and natural gas. Longannet may, therefore, whet his appetite for a British built plant.

Another big project with which Britain wants to be associated is the building of two underground railway systems, one in Bogota, the capital, the other in the big provincial city of Medellin. In the latter Mott, Hay and Anderson has already been contracted as consultants.

If Colombia needs credit for these or any other schemes President Turbay will have it offered to him, as a delegation of bankers will be following close behind those industrialists with whom he is meeting.

Lest the visit seem too workaday the Colombian president can be expected to stress the historic ties between Venezuela, Colombia and Britain when he visits the ambitious cultural centre that the Venezuelan Government and the Venezuelan ambassador, Sr Juan Manual Sucre Trias, have established in the house in Grafton Way, once inhabited by Francisco de Miranda, the 18th-century precursor of Colombian and Venezuelan independence.

As a former ambassador to London himself, President Turbay is aware that there is more to international relations than just bids and deals.



Colombian President Julio Cesar Turbay Ayala (left) meeting with Portuguese President Ramalho Eanes.

BA in £82m loan from Exim bank

WASHINGTON — The U.S. Export-Import Bank will extend credits totalling $167.8m (£82m) to four different purchasers of American manufactured aircraft.

The bank said final approval has been given to a $71.6m increase in an existing loan to British Airways to assist in its purchase of nine additional Boeing 737-200 jet aircraft. The increase brings the total number of BA's 737s covered by the transaction to 28.

Also authorised is a $62.7m loan to Cameron Airlines to finance purchase of a Boeing 747-200, a $23.7m loan towards purchase of three Lockheed L-100-30s aircraft to the Government of Indonesia, and a $9.9m loan to Nordair of Canada for the purchase of three Boeing 737s.

● The U.S. Coast Guard has awarded a $215m contract for 90 helicopters to Aerospatiale Helicopter of Texas, reports Reuter from Washington.

Krupp signs co-operation agreement with Poland

BY GUY HAWTIN IN FRANKFURT

THE WEST German Krupp concern has taken a major step foreward in expanding its trade with Poland. It has just signed a scientific, economic and technological co-operation agreement with a number of Polish foreign trade enterprises operating under the umbrella of Polimex-Cekop.

While it is impossible to put a figure on the value of the accord between Fried. Krupp Gmbh, the Krupp holding concern, and Polimex-Cekop, it seems certain to lead to an intensification of the business activities the West German group conducts with enterprises in the People's Republic.

The agreement forsees a stepping up of co-operation in many spheres, with the main emphasis *being on mechanical engineering* and plant construction, as well industrial raw materials and the food stuffs industry.

Krupp's co-operation with the Poles has already yielded substantial sales to the group. In 1977 and 1978 sales amounted to about DM 300m ($158.4m) annually, with the main emphasis on equipment for the iron and steel industry and mechanical engineering.

Under the terms of the new agreement Krupp and its Polish partners will increase their co-operation in third markets.

© The EEC Commission has negotiated and initialled an agreement with Bulgaria on trade in textiles and clothing. The agreement is based on those with low-cost suppliers under the GATT Multi-Fibre Agreement (MFA). It provides for Bulgaria to restrain, at agreed levels, *exports to the EEC of* certain textile products until the end of 1982.

Aerospatiale subsidiary wins £108m contract

BY TERRY DODSWORTH IN PARIS

THE U.S. subsidiary of Aérospatiale, the French aerospace company, has won a £108m contract to supply 90 helicopters to the U.S. Coastguard.

This is the second time in two years that French aircraft companies, working in collaboration with American suppliers, have won large-scale orders for the Coastguards.

In 1977, Falcon Jet Corporation, a subsidiary of Dassault, was given a £102m contract for 41 of its Mystère-20 jets.

The Aérospatiale subsidiary—Aérospatiale Helicoper Corporation (AHC)—will begin supplying the Coastguards with its Dauphin-2 model in 1982. The Dauphin has been specially adapted for offshore surveillance and rescue work.

Only 30 per cent of the French-designed helicopter will be made in France. The rest will come from U.S. sub-contractors, including two engines for each unit from Lycoming, and other equipment from Rockwell Collins.

This new order for AHC, which expects to deliver 125 helicopters this year, underlines the success of Aérospatiale in this sector of the aerospace market.

The helicopter division of the group, with a turnover of FFr 2.5bn (£284m), is reckoned to hold about 25 per cent of the Western world's market for these machines, and is realising well over 80 per cent of its sales overseas.

World Economic Indicators

TRADE STATISTICS

		April '79	March '79	Feb. '79	April '78
Germany DMbn	Exports	25.9	28.0	23.2	23.9
	Imports	22.6	24.6	20.8	20.6
	Balance	+3.3	+3.4	+2.4	+3.[illegible]
Italy Lirebn.	Exports	4,371	4,649	4,756	3,63[illegible]
	Imports	4,306	5,386	4,414	3,61[illegible]
	Balance	+65	−737	+342	+1[illegible]
Japan $bn	Exports	7.800	9.267	7.649	7.71[illegible]
	Imports	7.280	7.726	6.561	5.44[illegible]
	Balance	+0.520	+1.541	+1.088	+2.27[illegible]
UK £bn	Exports	3.115	2.787	2.324	3.00[illegible]
	Imports	3.522	3.134	3.175	2.77[illegible]
	Balance	−0.407	−0.347	−0.851	+0.22[illegible]
France Frsbn	Exports	33.800	33.494	32.837	29.4[illegible]
	Imports	33.300	32.287	32.846	28.7[illegible]
	Balance	+0.500	+1.207	−0.009	+0.6[illegible]
U.S. $bn	Exports	13.883	14.445	13.507	11.6[illegible]
	Imports	17.053	16.228	15.720	14.5[illegible]
	Balance	−3.17	−1.783	−2.213	−2.9[illegible]
		March '79	Feb. '79	Jan. '79	March '7[illegible]
Holland Flsbn	Exports	11.212	9.248	9.539	9.[illegible]
	Imports	11.324	9.525	9.498	9.5[illegible]
	Balance	−0.112	−0.267	+0.091	−0.1[illegible]
		Jan. '79	Dec. '78	Nov. '78	Jan. '[illegible]
Belgium Frsbn	Exports	117.881	123.694	136.675	111.5[illegible]
	Imports	114.648	120.178	123.924	112.[illegible]
	Balance	+3.233	+3.516	+12.751	−6.65

UK NEWS

Slower leasing growth forecast

By Michael Lafferty, Banking Correspondent

THE LEASING industry, which expanded by more than half last year, will probably grow more slowly over the next decade than in recent years, according to Mr. Tom Clark, chairman of the Equipment Leasing Association.

In his statement, with the association's annual report, Mr. Clark says that leasing finance accounts for some 10 per cent of total UK investment in capital equipment. "The growing *demand for leasing facilities* demonstrates that the advantages of this method of finance are now widely recognised by industry."

Leasing is a financing method whereby the use and ownership of assets are separated, with the ownership resting with the organisation putting up the *funds, normally* a finance house.

Most UK leasing is "tax-based," which means that lessors become entitled to the capital allowances attaching to the equipment financed, rather than the used of the equipment.

Deferring

Thus the clearing banks, which control most of the main finance houses, are able to "shelter" current profits from corporation tax by deferring the tax liability until the profits reappear from the project financed.

Because of its recent, and rapid, growth there are no agreed methods of accounting for leasing.

On whether leasing companies should set aside deferred tax provisions in their accounts, for tax bills temporarily deferred by new leases, the association is straightforward: "Lessors should make full provision for deferred tax liabili*ties in their* accounts."

The report adds, however, that financial groups (a reference to the clearing banks) have chosen to provide for amounts from all to none of their deferred liabilities on leasing transactions.

Comment is also attracted by the methods different lessors adopt *for calculating earnings* from lease transactions. A working party of the association has identified at least seven interpretations of one method alone.

● NEWS ANALYSIS—TELEVISION SCREENS

Looking for big brother to solve colour problem

BY MAX WILKINSON

IF MR. CLIVE SINCLAIR can make a full-colour television screen several feet wide and three-quarters of an inch thick hundreds of millions of dollars' worth of investment in conventional cathode-ray tube plant will become obsolete, and the television industry receive the biggest shake-up since invention of colour sets.

The word "if" requires emphasis, but Mr. Sinclair, chairman and founder of the Cambridge electronics company Sinclair Radionics, believes he has the technology to make this breakthrough into large flat-screen colour sets.

So far he has produced a prototype of a three-inch black-and-white screen which he believes is ahead of competition in Japan and elsewhere. He says that the techniques used could be applied to make much larger black-and-white thin screens and eventually colour.

The National Enterprise Board, which has invested £4.5m *in* Sinclair without any return so far, has advised the company to find a larger partner to exploit the invention. Negotiations are believed to be at an advanced stage, and an announcement is expected some time next month.

Even for production of a small three inch set Sinclair has come up against the familiar problem that large-scale production is needed to reduce the price and stimulate the market to create the demand justifying the volume of production.

The risk is big, and on an international scale. A venture based on the likely UK market would almost certainly fail, since sales would be relatively low and prices relatively high. A Japanese competitor would soon come in with a cheaper mass-produced set for a world market.

As Sinclair found to its cost, this happened with calculators and digital watches. In both markets the company was highly successful in producing ingenious products ahead of competitors. But it has now been wiped completely out of the watch market and is fighting a small rearguard action against *calculator imports from the U.S.* and Japan with its Cambridge Programmable and a few other models.

The lessons have obviously been learned: technological brilliance is not enough.

Mr. Sinclair's problem is that *his company* is too small and too unprofitable to support the fertile inventiveness of his engineers. With sales of only £6.39m last year it chalked up a loss of nearly £2m.

But to be successful with a new flat-screen television Sinclair has to think in terms of hundreds of thousands and perhaps millions of units a year.

If production were to be a relatively modest 200,000 sets a year at, say, £50 each, Sinclair would be faced with adding *£10m to its turnover from one* product line alone, more than doubling in size in about three years.

Pocket snag

An ambitious objective for a profitable company but mere dreaming for a company losing 30 per cent on sales.

The point is reinforced by the fact that the Microvision, the world's first pocket television, launched by Sinclair two and a half years ago with such high hopes, has proved a *relative* failure.

The first version, selling at over £200, proved unnecessarily complex and has been withdrawn. It was capable of tuning into television stations anywhere in the world.

But not many people in the U.S. *actually want* a set which can tune in to the BBC.

Sinclair has produced a cheaper set at less than £100 restricted to British requirements, and is developing similar models for the U.S. and the Continent.

Though the new Microvision is said to be selling well, Sinclair is not prepared to give production figures, and it is clear that the pocket-television project has so far failed to produce the profits hoped for.

It is hardly surprising therefore that the NEB should be unwilling to pour more risk capital into Sinclair, even if it believes that the new flat screen is an important breakthrough.

Yet if Sinclair has indeed obtained a world lead in development of flat screens it *is of the utmost importance* to the British television industry that this lead be exploited and pursued.

Flat screens at competitive cost are the great goal of television manufacturers throughout the world.

Philips of Holland and Matsushita, Toshiba and Hitachi in Japan are among the giants in the race to find a replacement for the cumbersome and power-consuming cathode ray tube. All would like to be first to make a set an inch or two thick, with a wide screen that can hang on a wall.

The first company to succeed will have a decisive advantage over competitors in an industry with world sales of about £9bn a year.

Mr. Sinclair clearly believes that he has a chance of success. And in Britain the consumer electronics *industry* has not many such chances.

Much will depend on the assessment of the invention by the larger partner with which the company is now negotiating.

Choice of the right partner *is crucial. Of British manufac*turers only Thorn and General Electric appear to have the necessary muscle.

Of multinationals, the obvious choice is between Philips and ITT. It is doubtful whether either would entertain a joint venture with a company as small as Sinclair for a single *product aimed at a small section* of the television market.

More jobs cut in Mersey ship-repairing

MORE REDUNDANCIES in the ship-repair industry on Merseyside were announced at the weekend when J. Gordon Alison, of Birkenhead, part of the Laird Group, told the Department of Employment that it intends almost to halve its workforce by dismissing 66 men.

It blames lack of business and the absence of foreseeable orders. The move brings the number of redundancies in the industry on the Mersey in a year to 1,500.

On Aintree industrial estate, Liverpool, the 350 bakers and staff at the Mother's Pride bakery received their last pay packets at the weekend after 90-day notices.

Boom sales precede VAT rise

BY PAUL TAYLOR

SHOPPERS took to the stores in force over the weekend to beat the Budget Value Added Tax increases and deprive the Chancellor of millions of pounds of extra revenue.

Saturday, the last pre-VAT increase shopping day saw managers speaking of "boom trading," "phenomenal sales" and "record takings." Several store groups defied Sunday trading laws and remained open yesterday.

Credit Data, one of Britain's biggest credit reference organisations was working up to midday yesterday, processing credit applications from shoppers out to beat the VAT increases.

Since the Budget, Credit Data has checked more than 50 per cent more applications than usual.

When takings are added up, they are likely to show store turnovers up by between 40 and 100 per cent on onrmal levels, and even higher in some departments.

Trade in household goods like furniture and carpets was particularly string. But many shoppers were to be found in the electrical, radio and television departments, where trading was up to four times higher than normal in spite of the smaller VAT increase, from 12.5 to 15 percent, on these goods.

Curry's, the high street multiple electrical retailers, said trading had been "very brisk" on Saturday with particularly interest shown in white goods and turnover up by about 100 per cent on normal Saturday trading.

For many of the big department stores the pre VAT increase trading has provided a major boost to trade ahead of the summer bargain sales period which begins at the end of the month.

The John Lewis Partnership, with 17 department stores throughout the country, said Saturday had provided the climax to a "boom trading week" with the emphasis on electrical appliances, household goods furniture, carpets and linen.

In the pre-Budget period, sales figures for the partnership showed a 41.2 per cent rise on the same week last year, but final figures for trading last week are expected to show a 100 per cent increase in some stores.

The pattern was similar throughout the main department stores in London's West End. Mr. Howard Meitiner, general manager of Debenhams Oxford Street store said Saturday trading had been "phenomenal" with takings 100 per cent up on a normal Saturday and the week's takings 50 per cent higher than the same time last year.

Debenhams' high fashion department was particularly busy, together with the electrical department where the increase in turnover was said to be about 250 per cent.

In common with many other large London stores, Selfridges begins repricing today, which means many shoppers will still pay pre-tax increase prices on some items until the process is completed—probably by Wednesday.

Harris Carpets, the 157-store discount carpet group which includes the Queensway and Ross outlets, said sales were at least double the group's previous record.

Tesco, the supermarket group, said trading in the wine and spirits section and the group's "home 'n' wear" department had been good.

It remains to be seen whether the VAT increase will mark the start of a new mini price war among the supermarket groups, with companies like Tesco and Asda absorbing VAT increases on some non-food items.

Fears of a duty increase on spirits are thought to have lead to a degree of stockpiling by some of the supermarket groups and could now bring attempts by these companies to off-load stock at reduced prices.

Many of the multiple off-licence groups had extended opening hours in advance of the VAT increase and Augustus Barnett, for example, with 181 stores mainly in the South-east, said sales last week were twice as high as normal, with wine sales keeping abreast of the popular spirits.

As expected, the VAT increase also produced a last-minute rush to buy cars. The increase will add £220 to the price of a family car costing £3,500. BL dealers reported big increases in business during the week, and the company is hoping that this sales boost will be of particular advantage to it because of large stocks of cars like the Marina, Allegro, Princess and Rover.

City panel proposed to review accounts

By Michael Lafferty

THE STOCK EXCHANGE and the accountancy bodies are considering a plan to establish a City review panel to examine and comment publicly on departures from accounting standards in the accounts of quoted companies.

The suggestion, from the English Institute of Chartered Accountants, will be discussed by Mr. Patrick Neill, chairman of the Council for the Securities Industry, the City's overall self-regulatory agency, and Mr. Tom Watts, chairman of the Accounting Standards Committee.

Mr. Watts said yesterday that a review panel was probably the most viable proposal to have emerged

The English Institute has said that the most effective tool of enforcement applicable to listed companies which breach accounting standards "is the power to incite the chief executive or chairman to appear before an appropriate authority to justify his company's action."

Pressure on British Airways Ulster route

BY LYNTON McLAIN

BRITISH AIRWAYS is likely to face increasing pressure for more competition on its lucrative London-Belfast shuttle service after the loss last week of one of its prime Scottish routes to a small charter operator.

The State-owned airline was severely criticised by the Civil Aviation Authority in March for inefficiencies on the Heathrow-Belfast route. These imposed "heavy and totally unnecessary costs on BA passengers generally," the Authority said.

The route is already under attack from British Midland Airways, which flies to Belfast from Gatwick and wants to do so from Heathrow.

British Midland stated at a CAA hearing in Belfast last month that volume of traffic on the route would support more services. British Airways figures for higher-than-forecast growth on the route may support this.

It forecast in October that it would carry 430,000 passengers on the route in that financial year. The actual total was 470,000.

It said its Belfast shuttle flights, expected to make £2.2m profit in this financial year, would be jeopardised if British Midland's case were accepted.

British Midland may be encouraged by the CAA decision to withdraw British Airways' rights to fly the Aberdeen-Wick-Shetland service.

Air Ecosse, a two-year-old independent airline, won these rights after protests about passenger standards. Protesters included the United Kingdom Atomic Energy Authority, which has a reactor at Dounreay, Caithness; the Highlands and Islands Development Board; and the Highlands Regional Council.

The airline's plans to raise fares on the route were rejected in March, when the CAA warned that it would concentrate on "the absolute levels of airline-operating costs."

Retailers' profits on cars down 0.1%

By Kenneth Gooding

RETAILERS' profits on new and used cars fell last year, according to a survey of several hundred companies by Sewell's Profit and Information Unit.

The average gross profit for new vehicles dropped from 9.8 per cent to 9.7 per cent and there was a similar fall for used vehicles.

Mr. J. M. H. Binney, the report's author, suggests that this was probably due to the use by retailers of over-simplified systems of accountancy.

Dealers seem to have been controlling their sales on the basis of achieving a fixed margin per unit. "This provides dangers for such a ratio ignores completely the important aspect of inflation," the report suggests.

Given that 1978 was something of a boom year for car sales and there was a shortage of many popular vehicles, profit margins should have gone up.

Incentives

"One is left with the conclusion that discount selling has continued unabated. It appears that salesmen left with higher prices and up-market models are still prepared to discount heavily.

The report suggests that volume-related discounts, fleet bonuses and promotion for loyalty incentives might be used as more refined financial inducements rather than "flat-rate give-aways that erode gross profit margins."

The dealers who took part in the survey forecast they would increase new car sales by 18 per cent and those of used vehicles by 23 per cent in 1979 from last year's level.

"*Franchise Study—Sales Department Profitability.*" *Ronald Sewell and Associates, 1, Queen Square, Bath BA1 2HE. £7.50.*

Chrysler Horizon with 'trip computer' for sale in UK

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE CHRYSLER Horizon with an "on board" trip computer which created a great deal of interest when launched at the Paris Motor Show last year is to be made available in the UK.

The computer is one of the standard features on the Horizon GLS Special announced today by Chrysler UK together with three other "limited edition" models. The Horizon GLS will sell for £4,499.

The trip computer is an all-electronic unit designed to give the driver, at the touch of a button, information such as distance travelled, fuel consumed, average fuel efficiency, average speed, elapsed time and time of day displayed in either imperial or metric units.

The other "limited edition" cars from Chrysler UK are two models in the Avenger range, the 1600 LS Special costing £3,242, and the GLS Estate Special at £4,099, and the Alpine Special at £5,249.

● The price of the smallest Fiat—the 126—breaks the £2,000 barrier today as a result of a 5.8 per cent price increase by the importer and the additional VAT.

Savings at year's low

By Eamonn Fingleton

THE National Savings Department's net savings receipts fell last month to £47.3m, the lowest this year.

This takes the department's total funds under management to £11,878.3m.

The disappointing inflow reflects mainly abnormally large repayments of £204.7m. New investment held up well at £252.0m.

Repayments were swollen by the settlement of a strike at the department's computer centre. This had been blocking repayments since February.

Scrap industry to adopt new standards

By Maurice Samuelson

NEW specifications for iron and steel scrap are to be adopted in August, in the first main change of its kind since standards were introduced

The specifications, drawn up by a working party of the British Scrap Federation, reflect far-reaching changes in the content of scrap being handled.

Whereas scrap used to be prepared mainly with hand-operated shears and flame cutters, mechanisation has increased and magnets are used for moving material.

Concorde cost is £1.96bn

THE CONCORDE project up to the end of last year had cost £1.96bn of British cash at 1979 Public Expenditure Survey prices, Mr. Michael Marshall, Industry Under-Secretary, said in a Commons written reply.

Accountants may take space in £60m City development

BY ANDREW TAYLOR

THE ACCOUNTING firm Ernst and Whinney is among several concerns interested in taking space at Whitbread's and Trafalgar Properties' joint £60m office development next to the Chiswell Street brewery on the edge of the City.

It was learnt last week that Chase Manhattan Bank, which had supported the original application for the office development permit for the site, has declined to lease space in the new offices.

Baker Harris Saunders, agents for the development—which is due to be completed in mid-1981—says there will be no problem in altering the development permit.

Ernst Whinney, formed by the merger of accountants Whinney Murray and Turquands Barton Mayhew, has been looking for a new headquarters for several months.

The firm is investigating a number of possibilities, but Shire House, one of two office blocks being built at Chiswell Street and due for completion by the end of 1980, is thought to be high on the accountants' list.

Shire House will provide about 220,000 sq ft of office space on 11 floors with a similar amount in the nearby Milton House due to be completed by mid-1981. The development is one of the biggest in central London for many years.

Originally, Chase Manhattan was considering at least a sizeable proportion of the new office space, but instead the bank has opted to take a lease on the whole of Woolgate House, in Basinghall Street, owned by the Hammerson property company.

However, Whitbread and Trafalgar have known of this possibility for about a year

Chase already leases half of Woolgate House and has now taken a lease on the remainder of the building after National Westminster Bank's decision to move to its new "Nat West Tower" office block in the City.

UK NEWS

Orkney farmers join anti-uranium mining protest

BY PAUL CHEESERIGHT

OPPOSITION against possible exploration in the Orkney Islands has intensified with the signing of declarations by 933 members of the National Farmers' Union, objecting to any form of mining.

The signatories represent 75 per cent of the NFU membership in the Orkneys. Their protest adds strength to the Orkney Heritage Society's plans to stage a "no uranium" lobby in London next month.

The immediate issue is whether the South of Scotland Electricity Board should be allowed to drill 11 boreholes in the Stromness area of the Orkneys. Refusal of planning permission by the local authorities led to the Scottish Office holding a public inquiry into the application last month.

The board wants to establish whether mining would be commercially viable. Geological conditions are favourable and could yield 5,000 tonnes of uranium.

The public inquiry, the result of which is awaited, threw up a mass of conflicting considerations, pitting local emotianal ond environmental concerns against national and EEC preoccupations with securing indigenous sources of energy.

Mines recruit

FIVE HUNDRED school-leavers will get the chance of a job in the Nottinghamshire coalfields this year. They will be among 2,500 men to be recruited by the National Coal Board in North Nottinghamshire, where plans are being made to increase production, in the present financial year.

Taxi-owners seek cash to offset VAT loss

FINANCIAL TIMES REPORTER

TAXI - OWNERS are demanding urgent Government action to compensate them for being unable to pass on to customers the increase in VAT, which takes effect today.

Mr. John Oswell, general secretary of the Federation of Taxi Cab Associations, said yesterday that increases in cost of fuel had already put cab operators' margins under strain.

The federation has been told that its members must pay 15 per cent VAT on fares collected from today, though customers wil be charged at the old rate of 8 per cent until the various licensing authorities permit a change in fares.

This Mr. Oswell said, would take at least a month. Meanwhile his members would be seriously out of pocket.

Steel output down 5.1%

FINANCIAL TIMES REPORTER

STEEL production in Britain averaged 435,000 tonnes a week last month, down by 5.1 per cent from the April output but 8.1 per cent higher than in May last year.

The fall from the April level reflected a week's holiday in certain steelworks during May. The other weeks of May did, however, show a continuation of the higher activity recorded in April.

That was because of the increase in short-term orders after the strikes and bad weather earlier in the year. However, there was no sign of a long-term recovery in the demand for steel products from consuming industry in Britain.

Interest rates 'to fall by year end'

FINANCIAL TIMES REPORTER

THE GATHERING recession in the industrialised world will be pointing to a decline in interest rates towards the end of this year, although the scope for reductions is limited, with money rates likely still to be in double figures.

That view is put forward in Barclays' UK Financial Survey. It identifies three key uncertainties for the current year whether a relatively tight monetary policy will be achievable; if it is, whether it will suffice to contain wage settlements in the private sector; and whether cash limits will have a similar restraining influence in the public sector.

"The uncertainties in achieving the Government's' objectives will probably preclude an early and substantial reversal of the rise in interest rates as was the case earlier this year — especially while loan demand remains strong."

National Westminster's economic letter says that the inevitable effect of the minimum lending rate increase must be to reinforce recessionary pressures

"As these pressures become more intense, there will inevitably be strong downward pressures on interest rates in the final months of 1979 or in 1980.

"Paradoxically, the higher the level of interest rates in the short term, and the longer term, and the longer the period over which rates are kept high, then the greater will be the dampening effect on the

Stockbrokers Simon and Coates say that, short of introducing qualitative controls, the Government had little alternative to raising interest rates

However, they point out that the present position bears considerable similarity to the ill fated "competition and credit control" of Lord Barber when Chancellor "when rationing by price was ineffective in controlling overall levels of credit but simply ensured that available funds went to those apparently best able to pay."

Survey estimates banks' secret funds

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

SHAREHOLDERS' FUNDS of Schroders and Hambros, leading merchant banks, would probably double and those of Kleinwort Benson would go up by three-quarters of the banks' secret reserves were disclosed.

That is the estimate of Laing anw Cruickshank, City stockbrokers, in a survey of accepting houses, the traditional London merchant banks.

For Hambros, which has published capital resources of £45m, the estimated "inner" reserves are put at £60m, although they might be only £40m. To Schroders, with a disclosed capital of £55m, is attributed a further £60m of secret reserves, with a lower range of £44m. Kleinwort Benson, which has a disclosed 1977 capital of £71m, is estimated to have between £35m and £53m of secret reserves.

Under the Companies Acts, the accepting houses are exempt from having to disclose true profits and capital resources. In addition, accounting and disclosure practices vary considerably among the 17 members.

Similar statutory exemptions are thought no longer to be available, and several of the more recently established City merchant banks say they have been refused permission by the Department of Trade to create secret reserves.

The survey suggests a wide variation between the accepting houses, with the larger groups having substantially increased asset values. By implication, their annual disclosed earnings would appear to be conservative.

In contrast, Laing and Cruickshank estimate inner reserves of only £1¼m, against disclosed capital resources of £21.8m, for Guinness Mahon, part of the Guinness Peat group. Charterhouse Japhet's has hardly any secret reserves, and those of Lazard Brothers are put at £9m, against disclosed capital resources of £40m.

The stockbrokers make their estimates simply by taking the total of each bank's deposits and acceptance credits, and dividing by 12. "This multiple will vary from house to house but, typically, liabilities to the public (deposits and acceptances) average about 12 times resources."

The only main accepting house excuded from the guessing game is S. G. Warburg, where estimated capital, according to the formula, turns out to be lower than the disclosed capital.

In commercial banking, the brokers expect the accepting houses to achieve satisfactory growth in advances, with the corporate sector remaining in deficit. But Eurodollar margins are seen as showing little prospect of improvement until next year, suggesting that the merchant banks will continue to limit their participation here.

Big names 'to tighten grip on sweets market'

BY OUR CONSUMER AFFAIRS CORRESPONDENT

THE £1.5bn-a-year confectionery market, which accounts for about 7 per cent of food expenditure, is likely to be increasingly dominated by big manufacturers, says a report today by the stockbrokers Sheppards and Chase.

The two leading manufacturers, Rowntree Mackintosh and Cadbury Schweppes, and the U.S.-owned Mars company, "will be able to increase their share of the UK market and take advantage of the opportunities in other developed countries at the expense of the smaller manufacturers."

Large capital and marketing costs, especially for chocolate confectionery, made it more difficult to compete effectively with larger manufacturers.

As leading products became increasingly established and more heavily promoted, it was more expensive to enter the market with new ones.

"Sophisticated brand management has proved to be the key to the exploitation of mature markets and to the ability of major manufacturers to increase their share of the market."

Mars and Rowntree were increasing their involvement in Europe, though the report says it will be several years before they achieve a substantial financial return.

Notice of Early Redemption
Sw. Fcs. 80,000,000
Beecham Group Limited, Brentford (England)
5½% Bonds 1972–87

The Company herewith gives notice in accordance with Article 3 of the conditions of issue that the above mentioned bonds will be repaid on

5th September 1979 at 101% of the Nominal Value.

From the above date the bonds, together with all undeclared coupons, dated 5th September 1980 and after, can be presented for repayment at all offices and branches in Switzerland of the undernoted banks:

Swiss Volksbank	Credit Suisse	Union Bank of Switzerland
Swiss Bank Corporation	Bank Leu AG	Groupement des Banquiers Privés Genevois
A. Sarasin & Cie	Privat & Verwaltungsgesellschaft	Gruppe Zürcher Privatbankiers

SWISS VOLKSBANK

PLANT & MACHINERY SALES

Description	Telephone
ROLLING MILLS 20in x 30in x 350 hp Two High Reversing Mill. 5in x 12in x 10in wide variable speed Four High Mill. 3.5in x 8in x 9in wide variable speed Four High Mill. 10in x 16in wide fixed speed Two High Mill. 10in x 12in wide fixed speed Two High Mill. 16in x 16in wide fixed speed Two High Mill. 6in x 16in x 20in wide Four High Mill.	0902 42541/2/3 Telex 336414
CUT/LENGTH LINE 1000 mm x 2 mm.	0902 42541/2/3 Telex 336414
CUT/LENGTH LINE 750 mm x 3 mm.	0902 42541/2/3 Telex 336414
NARROW STRIP ROLLING MILL, two stand, rwf.	0902 42541/2/3 Telex 336414
SLITTING LINE 920 mm x 10 ton coil by Cam.	0902 42541/2/3 Telex 336414
SLITTING LINE 300 mm x 1 ton coil by Cam.	0902 42541/2/3 Telex 336414
350 hp **REVERSING MILL,** 20" x 30" rolls, Farmer Norton.	0902 42541/2/3 Telex 336414
PLATE SHEAR 4ft x 1in **CINCINNATI.**	0902 42541/2/3 Telex 336414
GUILLOTINE 8ft x 0.125in **PEARSON.**	0902 42541/2/3 Telex 336414
No. 1 FICEP SCRAP SHEAR, 75 x 34 mm bar.	0902 42541/2/3 Telex 336414
SHEET LEVELLING ROLLS, 920, 1150 and 1850 mm.	0902 42541/2/3 Telex 336414
HYDRAULIC SCRAP BALING PRESS Fielding & Platt.	0902 42541/2/3 Telex 336414
FORGING HAMMER, 3 cwt. slide type Massey.	0902 42541/2/3 Telex 336414
VACUUM FURNACE 100 kw. Herdiekerhoff.	0902 42541/2/3 Telex 336414
AUTOMATED COLDSAW, non ferrous, Noble & Lund	0902 42541/2/3 Telex 336414
WIRE DRAWING MACHINE 8 BLOCK (16"). Arboga.	0902 42541/2/3 Telex 336414
WIRE DRAWING MACHINE 6 BLOCK (22"). Marshall Richards.	0902 42541/2/3 Telex 336414
ROD DRAWING MACHINE 9 DIE. Barcro.	0902 42541/2/3 Telex 336414
DRAWBENCH, 15 ton pull x 40ft draw. Platt.	0902 42541/2/3 Telex 336414
HORIZONTAL DRAW BLOCK 36in. Farmer Norton.	0902 42541/2/3 Telex 336414
BAR & TUBE REELING MACHINE (2"). Platt.	0902 42541/2/3 Telex 336414
WIRE DRAWING MACHINE 9 DIE cone type. Unity.	0902 42541/2/3 Telex 336414
WIRE DRAWING MACHINE 15 DIE cone type. Marshall Richards.	0902 42541/2/3 Telex 336414
ROTARY SWAGING MACHINE, Marshall Richards.	0902 42541/2/3 Telex 336414
SURFACE MILLING LINE, 16" non-ferrous strip.	0902 42541/2/3 Telex 336414
McKAY 8' SHEET METAL PROCESSOR.	01-928 3131
UPSET FORGING MACHINE 4in dia. 750 ton.	01-928 3131
WICKMAN 1¾ 6SP AUTOMATIC. Reconditioned.	01-928 3131
WICKMAN 2¼in 6SP AUTOMATIC. Reconditioned.	01-928 3131
WICKMAN 2⅝ 6SP AUTOMATIC. Reconditioned.	01-928 3131
CINCINNATI CENTRELESS GRINDER. Excellent.	01-928 3131
1500 TON CLEARING D A PRESS Bed 180" x 96".	01-928 3131
200 TON VICKERS CLEARING PRESS. Bed 36in x 40in Air Clutch & Brakes as new.	01-928 3131
200 TON SCHULER HIGH SPEED PRESS. 200 spm.	01-928 3131
LUMSDEN GRINDER 84" x 24" magnetic chuck.	01-928 3131
HEID COPY LATHE 36" dia. x 50. Reconditioned	01-928 3131
FISCHER COPY LATHE TYPE 18/150.	01-928 3131
WIEDMANN TURRET PRESS TYPE BRA/41 as new.	01-928 3131
NATIONAL COLD HEADERS ¼" x ⅝" dia. recon.	01-928 3131
200 TON DEEP DRAWING PRESS.	01-928 3131
BARBER & COLMAN 16-16 HOBBER, as new.	01-928 3131
BRITISH CLEARING HYD: PRESS, 125 tons single action or 90/35 double action. Stroke 60 ins. Blankholder stroke 42 ins. In almost new condition.	01-928 3131 Telex 261771

COMPANY NOTICES

NOTICE TO BONDHOLDERS
COPENHAGEN TELEPHONE COMPANY, INCORPORATED
EUA 20,000,000 9¾% 1975/1985 BONDS

Pursuant to the provisions of the Purchase Fund, notice is hereby given that no Bonds have been purchased for the Purchase Fund during the twelve-month period commencing May 28, 1978.

Amount outstanding: EUA 20,000,000.—

COPENHAGEN TELEPHONE COMPANY, INCORPORATED

June 18, 1979

CITY OF COPENHAGEN
8¾% UA 20,000,000 1976/1986 BONDS

Notice is hereby given to Bondholders that, during the twelve-month period ending June 14, 1979, no Bonds have been purchased for the account of the City.

Outstanding amount: UA 19,250,000.

THE FISCAL AGENT
KREDIETBANK
S. A. Luxembourgeoise

Luxembourg, June 18, 1979

CHILEAN GOVERNMENT LONG TERM DEBT LAW No. 8962
CHILEAN GOVERNMENT
4½% BONDS 1893

Midland Bank Limited announce that the redemption instalment for the Sinking Fund of July 1, 1979 has been met by a drawing of bonds to the nominal value of £2,000.

The distinctive numbers of the bonds drawn in the presence of a Notary Public are as follows:—

Serial Number £500 Bond
217

Serial Numbers £100 Bonds
534, 545, 555, 1393, 2262, 3936, 4206, 4332, 4355, 4875, 5000, 5011, 5022, 5036, 5048

The above bonds should be presented at the New Issue and Securities Department of Midland Bank Limited on or after 2 July 1979 listed on the appropriate Form and must bear all coupons subsequent to July 1, 1979, otherwise the amount of the missing coupons will be deducted from the principal moneys.

The usual interval of four clear days will be required for examination.

Midland Bank Limited,
New Issue and Securities Department,
Mariner House,
Pepys Street,
London EC3N 4DA.

NOTICE TO BONDHOLDERS
MASSEY FERGUSON NEDERLAND N.V.
9¼% GUARANTEED BONDS DUE 1991

NOTICE IS HEREBY GIVEN that, pursuant to Paragraph 5 (a) of the Terms and Conditions of the Bonds U.S. $4,500,000 principal amount thereof have been purchased by Swiss Bank Corporation, Zurich as Purchase Agent during the year June 1st, 1978 to May 31, 1979.

MASSEY FERGUSON NEDERLAND N.V.
by: THE CHASE MANHATTAN BANK N.A. London,
As Trustee

June 1979

CANADIAN NORTH ATLANTIC WESTBOUND FREIGHT CONFERENCE
CANADA-UNITED KINGDOM FREIGHT CONFERENCE

NOTICE TO SHIPPERS AND IMPORTERS

INLAND RATES/CHARGES IN ENGLAND, SCOTLAND AND WALES

The member lines of the above Conferences wish to advise shippers and importers that, consequent upon a thorough review of their current structure of inland rates and charges, a revised scale of rates and charges has been formulated in order to take account of the current level of costs which the member lines are forced to incur in providing the services in question. This will result in increased levels of rates and charges which will become effective 15th July 1979 and will incorporate the present 5 per cent emergency surcharge, and details of these may be obtained from any of the undernoted member lines:—

Atlantic Container Line G.I.E.
Canadian Pacific Steamships Ltd.
Dart Containerline Company Ltd.
Hapag-Lloyd AG.
Manchester Liners Ltd. } Joint
Golden Cross Line Ltd.

CANADIAN ATLANTIC FREIGHT SECRETARIAT LTD.
Secretaries.

Cunard Buildings,
Liverpool L3 1DS.
June 1979.

PUBLIC NOTICES

DEPARTMENT OF TRANSPORT

TOWN AND COUNTRY PLANNING ACT 1971

NOTICE IS HEREBY GIVEN that a local inquiry is to be held in connection with the proposal of the Minister of Transport to make an Order under S.209 of the above Act authorising the stopping up of the highway known as Back Alley, EC3. If authorised, the stopping up would enable development consisting of the erection of a new office building to be carried out in accordance with planning permission granted to Hambros Bank Executor and Trustee Co. Ltd.

The inquiry will be held at the Guildhall in the City of London on Tuesday 3 July 1979 at 10.30 am by Mr. T. G. Holden, LLB, a person hereby appointed by the Minister for the purpose. (Ref: LH 38/5002/7/09).
'sMSHRSHR

J. K. A. BENNETT,
A Senior Executive Officer,
Greater London Roads and Traffic Division,
Department of Transport.

هكذا من الأصل

Poorer postal services 'caused by strike tactics'

BY JOHN LLOYD

SIR WILLIAM BARLOW, chairman of the Post Office, has laid much of the responsibility for *worsening postal services on a* series of selective strikes by the postal unions.

He also said that claims for wage rises of 25 per cent were ... of the question and indicated that Post Office workers should receive the average increases being granted in the private sector.

He sees a growing use of the tactic of small-scale, but precisely directed strikes in the public sector generally, which contributes to a decline in services f all kinds.

Sir William made his comments against a background of continuing industrial action by white collar workers in the Post Office, which has held up telephone bills at a loss to revenue of more than £400m, brought cuts in supplies of telecommunications equipment and delayed new connections.

At the same time, Sir William said, various actions by the Union of Postal Workers and the Managements Staffs Association, coupled with a sharp increase in delays of mail train, *due in part to industrial action* on the railways earlier this year, had resulted in a large backlog of mail.

For example, while most second class mail—88 per cent—is delivered by the third working day after postage, the 12 per cent which is not is being held up for a week or more.

"These actions are weakening our performance, and make it look as though management is not doing its job. Management is like a boxer, no sooner has it recovered from one blow than it is hit by another."

Sir William warned that wage rises of 25 per cent being sought by white collar unions and the Post Office Engineering Workers' Union—and probably to be echoed by the UPW in the second stage of its wage bergaining later this year—would not be met by the corporation.

He believes that Post Office staff should receive the "going rate"—which might average about 15 per cent—and that claims of comparability with the *Civil Service are misconceived.*

"Post Office staff already receive £300-£400 a year more than equal grades in the Civil Service. They have excellent working conditions and fringe benefits. I don't think I could face the public if I make them pay for unreasonably high wage settlements."

Sir William defended the recent postal price increases, saying that they were necessary if the postal business was to avoid losses this year.

He believes that the postal business, which continues to increase the volume of letters and parcels it handles, has substantial growth ahead of it.

In telecommunications, he points to growth of 10 per cent in domestic calls, 11 per cent in trunk calls and 24 per cent in international calls in the past year, and says that kind of growth will continue. Nearly 2m *new exchange connections* were made in 1978-79.

Social policy neglect deplored by Murray

BY PAULINE CLARK, LABOUR STAFF

GOVERNMENTS OF industrialised and developing countries were urged yesterday to ensure that trade and aid policies promoted social progress as well as economic and industrial growth.

The appeal was by Mr. Len Murray, general secretary of the TUC, addressing the Thirtieth Commonwealth Trade Union Conference in Geneva. He proposed the inclusion of a social clause in agreements between Governments on commercial, economic and development issues, which should eventually be binding.

Such clauses, he believes, would encourage balanced *development and social justice.*

Social considerationse were not bein gsufficiently taken into account in trade and aid policies, *he said.*

"The present lack of planning of commercial and economic development means that the factors directly affecting the lives of working people and their families—unemployment, harsh and dangerous working *codnitions, poor standards of* nutrition and shelter—are not taken seriously enough."

Mr. Murray said that imbalance between *economic* and social policy threatened economic and political stability. "Internationally, neglect of *social objectives* can only endanger stability and contribute to recession," he said.

Governments had shown great resistance to the inclusion of a social clause, often because they adopted too narrow a view of development and the purposes and responsibilities of trade union organisations.

The European Commission, however, had put forward specific proposals in November to establish a link between the advantages *offered* in its generalised preferences scheme and in the Lomé Convention—dealing with trade and aid relations with *nearly* 50 African, Caribbean and Pacific countries—and the observance of basic labour standards.

The scheme had not yet been accepted by Governments, although the ideas that inspired it—the pursuit of social justice *and improvement—would* continue to be at the heart of trade union policies.

Howe 'stripped cupboard bare,' ASTMS told

MR. DOUG HOYLE, president of the Association of Scientific, Technical and Managerial Staffs, warned the Government yesterday not to be surprised if trade unionists reacted sharply if their living standards and job prospects came under threat. He told a divisional conference at Aston University, Birmingham: "Trade unionists are now faced *with one of the most totally* irresponsible and inept Budgets of all time.

"Old Mother Hubbard Howe has stripped the cupboard bare. It will by its very nature fuel inflation, which on the admission of the Government itself will reach 17.5 per cent.

"In all probability the actual figure will be over 20 per cent. It is *obvious* that this will have a disastrous effect on living standards.

"I should have thought that *even a Thatcher Government* would agree when a company like BP sells off 70 per cent of its daily production of North *Sea oil overseas that this calls* for greater public control of the management of that company, not less."

Private practice dental technicians get 23%

BY OUR LABOUR STAFF

DENTAL TECHNICIANS in dentists' private practices are to receive a 23 per cent pay rise under what trade union negotiators described yesterday as the first health service deal to benefit from the recent pay review awards to doctors and dentists.

The agreement with the British Dental Association means that a newly qualified craftsman will receive £11 more than his present minimum rate of £44. After five years service he will *receive £68 a week.*

Earnings are said by the Union of Shop, Distributive and Allied Workers, the main union representing the dental technicians outside the hospital service, to average £76 a week. That should rise to £90 under the new deal.

Teachers' pay deal ratified

A SPECIAL CONFERENCE of the National Union of Teachers at the weekend voted overwhelmingly to ratify the pay agreement provisionally reached in the Burnham Committee on May 21.

This means a 9 per cent increase for all teachers backdated to April 1, and £6 a month "on account" of further *increases—also* backdated to April 1.

The remainder of the 36.5 per cent claim will be referred to *the Standing Commission* on Pay Comparabilities, which will report to Burnham.

Cathedral gift

THE BRITISH Sugar Corporation is to give £20,000 towards the restoration of Peterborough Cathedral. The money will be paid by a deed of covenant over the next seven years towards a £500,000 appeal to pay for urgent repairs to the 1,000-year-old building.

Women workers step up demands for equal pay

BY OUR LABOUR STAFF

A FRESH call for trade unionists to fight for higher women's wages was made yesterday when the National Conference of Labour Women voted for a national minimum wage of £70 for a 35-hour week.

The conference, in Felixstowe, also urged the trade union movement to recruit and organise women workers, particularly those who work part-time and at home.

It called for job security, pro *rata rates of pay for part-time* workers and a sliding scale of wages. The scale would be linked to a cost of living index worked out by trade unionists and women's committees and backed by regular reviews of differentials in pay. The conference also demanded a strenthening of the equal pay laws by removing loopholes.

The conference supported another motion designed to bring women's earnings into line with those of men by establising a minimum basic hourly wage. This would be based on two-thirds of national average earnings.

The conference was told that 4m workers earned less than £50 a week—three-quarters of them women. The worst affected were hairdressers, employees in the hotel and catering industry, home and farm workers, the disabled and immigrants.

Miss Joan Maynard, Labour MP for Sheffield, Brightside, criticised the Press and "certain Labour Ministers" for attacking helath service workers who fought for higher pay by *taking industrial action* last winter.

Mrs. Kay Dallas, the conference chairman, accused the Government during her opening address of playing a "confidence trick" on the public during the election campaign.

She said the Tories promised income tax cuts, but failed to spell out the extent of cuts in public expenditure necessary to pay for them. Thousands of women's jobs would be lost, including teachers, cleaners, cooks, day nursery assistants, home helps, librarians, social workers and staff in old people's homes.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● COMPUTERS

New microfiche equipment from NCR

NCR HAS announced the first model in a new family of computer output microfiche (COM) recorders/processors which will have the fastest throughput speeds of any system currently on the market, it asserts.

The machines will produce cut and dried microfiche directly from computer tape.

NCR 1100 series will include seven models, each with progressively more functions. In addition to the initial freestanding NCR 1105 system, other members of the 1100 series will include on-line units which can be linked directly to main computers, as well as minicomputer-controlled arrays with editing and formatting capabilities. Others of the 1100 series will convert data directly from high-speed disc storage devices, and provide for converting computer output directly into graphic representations on microfiche.

The range is designed to function with higher speed magnetic tape units being used with most modern computers. The 1100 series also gives customers the option of using an existing mainframe system to control and direct the COM recorder, or offloading the processing tasks to a minicomputer which communicates with the main machine.

The NCR 1105 uses industry standard 105 mm film and provides reduction ratios of 24X, 42X, 48X and 72X. These lenses are stored in a quick-change lens mount, which enables the operator to switch from one reduction ratio to another in a few seconds. Users of the 1100 series will also be able to select reversal, run-reversal or optionally dry-silver processing.

Production is at NCR's micrographic systems division facility in Mountain View, California. The new 1105 will be available for customer delivery in the UK and Europe during the third quarter of 1980.

NCR is on 01-723 7070.

Machines by the hundred

UNDERLINING A statement in a recent policy document by a Conservative pressure group that: "Trade, not aid, is the best help the state can give industry . . ." is a contract awarded to Honeywell in the U.S. for no less than 324 computers.

These machines all belong to the "mini" category and will form the basis of the DAS project — for Decentralised Automated Support—to be set up for the U.S. Army.

Over a period of 12 years, these machines will be installed in Army transporters and serve as independent mobile supply inventory units. In addition to the machines, Honeywell is to provide extensive software support, while the data base package for this vast inventory scheme will come from Cincom.

Total value of the deal to Honeywell has been estimated at better than $77m. Though it is to be spread over a considerable period, a guaranteed steady income for one wing of a company's computer operations of over £3m a year is not to be sneezed at.

The CPC publication, prepared by a group headed by Philip Virgo, is called "Cashing in on the Chips."

Selects and prints data

NOW IN its tenth year, the National Computing Centre's file management and report generation system, Filetab, is now available for the Univac 90 series of computers, bringing the total of machine types on which it can be used to 11.

Filetab is essentially used for the selection and printing of data from computer files and for the maintenance of those files. It is straightforward to learn, even for the non-computer specialist, quick to write and has many uses from auditing to employment as a system design and testing aid.

Benefits claimed are increased productivity of programmers, reduced system development time, improved services to users, reduced demand on computer departments (non-dp staff can produce their own reports), reduced computer time, better documentation and lower costs.

NCC has sold a total of 900 packages of Filetab worth over £3.5m, some 30 per cent of which has come from overseas.

The new market opened up by the Univac 90 package is considerable, with some 1,000 machines installed world-wide (100 in the UK).

NCC is at Oxford Road, Manchester M1 7ED (061 288 6333).

● ELECTRONICS

Automatic inspection of circuit boards

FOR THE test operator, use of Marconi Instruments' latest circuit board testing machine consists of no more than placing the board on the jig and pressing a couple of buttons.

Under software control the Autotest System 80 then inspects everything on the board, component by component, dealing in about five seconds with a board containing 30 integrated circuits. Faulty components or faulty printed/soldered interconnections are identified and a print-out produced for tagging faulty boards. Virtually any kind of component can be present and they might have digital or analogue functions.

The PCBs, however, are not tested functionally (although this is an optional addition): instead the machine checks whether the board is properly assembled and that each component is good. The "forced node" technique is used in which each item is effectively isolated from the remainder and checked.

Thus, while maximum testing coverage is realised, programming is basically a matter of listing device types, circuit designations and test pin contacts. Test routines for digital devices are automatically extracted from a supplied library at program generation time.

"Bed of nails" contact is made to the test board, using either pneumatic or vacuum actuation, the latter being more suitable for large circuits. Up to 640 "nails" can be used.

The equipment has three console positions, for operator, supervisor and programmer. Operator's controls are restricted to actions such as starting and stopping the program, opening and closing the jig and monitoring throughput. The supervisor has display and keyboard and can see the progress of the testing numerically, while the programmer has a VDU together with line printer for hard copy listings.

Autotest 80 is controlled by a DEC LSI 11 microcomputer rather than the mini of previous Marconi machines, bringing the price start point down from £50,000 to £40,000.

The programming language used merely requires the specification of the constituent components, designations, values and tolerances for each type of board under test. The same language is used for all subsequent programming stages, minimising the required programming skills. Interactive program preparation software is available to guide the programmer as he works and further software aids are provided to automate the program optimisation procedure. Program preparation can be on or off line.

Marconi Instruments, which has now been in the ATE business for some 12 years and has sold 130 of the previous generation of machines, already has 35 of the new units on the production line at St. Albans, nine of which are spoken for. New automated production line equipment is being installed at a cost of about £2m and with the recent appointment of new managers for both marketing and technology, the company clearly intends to stay at the front of a market variously estimated to have a growth rate between 25 and 60 per cent per annum. GEOFFREY CHARLISH

Role of bubble memories

INTRODUCED INTO the UK by Intel is a one megabit bubble memory, the 7110, together with the necessary supporting chips.

Similar announcements have been made by Texas and Rockwell, the latter announcing the availability of a 0.25 megabit unit in February, indicating that one megabit would appear "this year."

Such memories will assume importance because they combine the read/write advantage of semiconductor memory with the non-volatility of the ROM and PROM. They provide bulk on-line storage in a very small space and are likely to soon start replacing disc, cassette and cartridges in many systems.

● HANDLING

Aids loading and unloading

A TELESCOPIC belt conveyor, which is fully reversible, has been introduced by Arnott Handling Equipment. Called the "Arnoscope," it is stated to be particularly suitable for loading or unloading containers. The standard model has an extended length of over 14 metres and a closed length of less than 6 metres.

The 8 metres extension, although self-supporting, has jockey wheels fitted to the delivery end to ensure a rigid structure during operation. The main body of the conveyor is fitted with hydraulic rams which raise or lower the front end of the boom. The rams can be operated either electrically or manually.

In the standard model, the control panel is mounted on the main body, but controls can also be provided for remote mounting. The extension boom itself has a separate set of controls, enabling the operator inside the container to extend or retract the boom. Since this operation can also be controlled from outside, a safety trip switch is fitted across the front of the boom to stop the extension.

Full details of this conveyor can be obtained from Arnott at 11 Edgemead Close, Round Spinney, Northampton, NN3 4RG (064 499129).

● OFFICE EQUIPMENT

Prepares bills for mailing

COMPUTER-PRODUCED documents consisting of statements, invoices and other business forms can be dealt with right up to the enveloping stage using the model 3100 computer-output mailing system from Pitney Bowes.

Suitable for large volume mailings by local government offices, utilities, finance house, insurance companies and similar organisations, the equipment eliminates slow and costly mailing procedures.

After the continuous stationery has been printed the paper pile is fed directly to the machine and the first section trims off the sprocket holes and separates the two parts of the form. The remainder of the units deal with bursting (separating), folding, enveloping and, if required, franking. Forms in excess of the standard average width of 9.5 in can be cross-folded, burst and horizontally folded to a size suitable for envelope.

The 3100 makes use of an electronic scanner which reads computer generated marks that instruct the machine according to the job.

More from The Pinnacles, Elizabeth Way, Harlow (0279 26731).

Low volume copier

RANK XEROX has a desk copier for the expanding low volume market. The 2600 is the latest addition to the Rank Xerox.

Fifth new copier from the company this year, it is aimed at the user who produces up to 5,000 copies a month.

Reliability is built-in and every attempt has been made to simplify design and maintenance. The paper path is short and straight, minimising the risk of paper jams.

Copies are produced at a rate of 12 per minute and up to 39 copies can be dialled at one time.

Bound volumes may be copied on the 2600, which has a flat platen cover to facilitate this work.

The paper feed tray holds up to 250 sheets of 80gsm paper and is adjustable for sizes from 203 mm by 254 mm (8 in by 10 in) to 215 mm by 356 mm (8½ ins by 14 ins).

Over a five year leasing period the 2600 costs £52 per month.

Rank Xerox UK, Bridge House, Oxford Road, Uxbridge UB8 1HS. Uxbridge 51133.

● PROCESSING

Improves vitreous enamel

TWO CHEMICAL treatment baths for use before vitreous enamelling have been put on the market by Pyrene Chemical Services, Ridgeway, Iver, Bucks SL0 9JJ (0753 651812).

Pyroclean 660 is an alkali cleaner for iron and steel offering a long bath life and not affecting the rate and depth of etch if carried into the sulphuric acid. This is important says the company, since it controls the critical thickness of the electroless nickel coating which in turn influences the adhesion of the fused vitreous enamel. Cleaning time is two to 15 minutes for immersion at 75 deg C.

The other treatment is Vitprep 1, a combined neutraliser and passivator. It contains no borax (the usual passivator) but is claimed to be more effective and shows no tendency to leave drying stains which can prevent the enamel from adhering. Process time is one to 10 minutes at 70 to 80 deg. C.

● MAINTENANCE

Cleans the carpets

IT IS possible to deep clean badly soiled carpets in commercial premises without using a motorised brush claims Cleancare International which is marketing a device called the Scrub Wand.

It has a 12-inch wide "mouth" and is stated to fit all hot water extraction carpet cleaning machines available in the UK. Four jets of water are applied in a "scrub-action" that is said to prevent streaking and to clean badly stained areas without damaging the pile.

The device is intended for the carpet cleaning trade and can be obtained from Cleancare at 33, Gautrey Road, London SE15 2JJ (01-732 2269).

● SERVICES

Facts for architects

IN A new venture Barbour Index, which has previously been concerned mainly with building industry product information, has launched a service for architects which will provide design data on microfiche.

Access to 54,000 pages of data will be available from sources that include the Agreement Board, Building Research Establishment, British Standards Institution, HMSO, and the Property Services Agency.

The fiche are postcard-sized pieces of film holding a matrix of 14 x 7 pages which are indexed and can be located by frame and fiche number for viewing on a back projection reader.

One year's subscription to the service costs £485 and provides a complete set of fiche and three up-datings, the latter taking the form of additional microfiche and a new index. A single payment of £129 is made for the reader, which becomes the subscriber's property.

More from Barbour Index, Drift Road, Windsor, Berks SL4 4RQ (03447 4121).

● TELEVISION

Better TV in hilly districts

FOR YEARS farms and small communities situated in mountainous surroundings have experienced difficulty with television reception. With the forthcoming shut-down of the VHF 405-line television channels the situation could worsen in some areas.

Wolsey has introduced a low-cost range of cable relay equipment specifically designed to improve the situation.

"Countryman" equipment will boost and convey television signals via a small cable from a nearby high point down to the farm or community concerned. Power to operate the equipment is derived from the normal mains supply reduced to 24 volts DC and conveyed safely up the hillside via the same small cable that brings the television signals back down. Simple additions would enable the television programmes to be extended to many outlets—even an entire village if so desired.

Wolsey Electronics, designer and manufacturer of this equipment, is itself located in the Welsh valleys and, as a result, has wide experience of the difficulties involved. A number of successful prototype systems are already operating on farms located in and around the Brecon Beacons and Black Mountains.

If necessary, a field engineer can call and advise on specific problems, and whether a cable or active deflector system would be most suitable.

Wolsey Electronics, Cymmer Road, Porth, Mid. Glamorgan CF39 9BT (044 361 2711).

● MATERIALS

Roofing the world

BUILDING UP to full production is Redland Roof Tiles' Vandyke plant at Leighton Buzzard, Beds., where only 26 persons employed in production will effect an annual output sufficient to roof some 25,000 houses or a town the size of Reading or Watford.

Concentration at present is on one of the most successful and popular tiles ever made by the company—the Regent—which is available in a wide range of colours and textures, being used increasingly for roofing and re-roofing projects in both the public and private housing sectors.

Newly-made tiles on pallets pass down the conveyor to an automatic tile racker, unloaded and fork lifted into curing chambers, then replaced in the tile racker to rejoin the conveyor.

Finished tiles are taken off the production line by an automatic stacking machine and mechanically lifted to stacking areas for maturing prior to despatch.

The whole process is designed as a continuous loop to achieve high speed production with the result that some 120 tiles a minute are currently being made—about 50 per cent more than any similar plant in the UK, says the company. Two tiles a second, however, are not enough, feels Redland, which is planning improved performance in due course.

Key to efficiency at Vandyke plant is the high degree of control exercised at all stages of manufacture. From a main plant console on an upper level walkway the whole process is monitored including, for example, the condition of the motors driving the conveyors. Apparatus records plant running times, any stoppages, and the volume of tiles being produced.

Should a hold-up occur, the console operator can telephone any part of the plant to get the problem rectified.

In parallel with production control is a sophisticated process of quality control throughout the manufacturing exercise with random sampling of materials and products to ensure strength and appearance standards are maintained.

The company now operates 130 tile plants all over the world and each year produces sufficient tiles to roof over 1½m houses.

Latest project has cost £4m —£1¾m for buildings and £2¼m for plant. The investment claims the company, has resulted in the most modern concrete roof tile plant in the world.

● POWER

Improved cable test

LATEST high voltage cable test van from BICC allows all faults to be located quickly and easily and obviates the use of fault burning in which insufficiently low resistance faults have to be reduced in resistance by arcing.

Module 80 Test Van System uses the Biccotest impulse current fault locator, a system in which an arc is maintained at the fault and the reflected energy waves provide data which locates faults to about plus or minus four metres. Owing to the brief nature of the resulting transients, solid state recording is used and the records are "played back" on a crt screen. Average fault location time has been halved compared with previous methods.

The unit will also locate simpler (short or open circuit) faults, and for pinpointing the problem equipment for the seismic detection of arcing sounds is included in the new van, with optional fault burning equipment for those who still require it.

More from Biccotest, Delamare Road, Cheshunt, Herts. EN9 9TG (0992 29011).

Makrolon Hard

Inquiries regarding the above product (this page June 7) should be addressed to May and Baker, Plastics Sales, Dagenham, Essex (01-592 3060).

Building and Civil Engineering

A national theatre for Syria

THE LONDON-based partnership of Renton Howard Wood Levin has been chosen as architects for the Syrian National Theatre and Opera House, to be built in Damascus.

The Syrian Government's Military Housing Establishment will act as main contractor.

Three principal theatres, with front-of-house facilities to include bars and restaurant, backstage rehearsal areas and workshops, and a school of music and drama are called for and all to be designed in a manner which would reflect Arabic traditions in a predominantly modern setting.

Focal point of the theatre complex covering an area of about 50,000 square metres will be a spacious, garden courtyard, enhanced by streams and mirror pools, which are to use as their source the existing water courses on the 3.6 hectare site.

The courtyard will be accessible from all the public foyers and be dominated by the auditoria, which are to be arranged in diminishing order of size from the main entrance.

An audience of 1,500 will be accommodated in the largest auditorium, which will have a proscenium stage and variable acoustics to allow its use for concerts as well as ballet and opera.

There is also to be a drama theatre, seating 750 around a thrust stage, a multi-purpose assembly hall and, as a part of the school, a drama studio and lecture theatre.

Cubitts' local authority work

NEW HOUSING and refurbishment of older local authority homes in the north west will provide more than £2m work for Cubitts (Tarmac Group).

At Victoria Park, Manchester, Cubitts is to build a block of 26 flats for the Anchor Housing Association of Altrincham under a £282,000 contract.

Two refurbishment schemes for the City of Liverpool are worth £700,000. Over 40 houses at Garston and a further 32 at Norris Green are to receive new kitchen extensions and other improvements including complete rewiring and replumbing.

Improvements and repairs at 280 homes at Parr and at Grange Park, St. Helens, and 116 at Huntley Fold, Bury, add £1.1m to Cubitts' turnover in the northwest.

Housing and school by Laing

CAPABLE OF housing some 1,400 people, a large new area of the southern and western suburbs of the City of Leeds is to be built by John Laing Construction, Yorkshire Region.

Some 356 homes, worth £4.7m, will be constructed under the scheme, which will be spread over four sites. Largest of these will be at Whingate Road South.

An interesting aspect of this project is that site layout and house designs were masterminded by the Leeds City Council director of architecture and landscape, Mr. E. W. Stanley.

Laing Design Associates and housing consultants James Riley and Associates developed the Leeds work in detail, using the Rileyform timber platform frame method built by Laing under licence.

Advantages of this building method include that homes can be built up to 30 per cent faster, the designers assert. Added to this is the fact that better quality control can be applied since the various units of the building are factory-made, while insulation standards are better than average. Completion is scheduled for December next year.

Modernisation of 50 Victorian and Edwardian houses on sites throughout the Borough of Southwark is to be carried out under a £1.2m award which requires the conversion of some into flats and updating the remainder with new bathrooms and kitchens, as well as structural alterations where required.

Again for Leeds, the company is to construct a £337,000 primary shool in Armley.

The plan is to build according to the Scola Mark Three system with steel-framed structure on an in-situ concrete slab foundation. Brickwork external cladding will be used with lightweight blockwork inner leaf.

Laing says of this particular scheme that it will have a pitched tiled roof on steel tied roof trusses. This has been incorporated to eliminate problems with flat roofs "which have been a traditional part of Scola design."

£7½m Douglas orders

COMPANIES IN the Birmingham based Douglas group have won contracts worth over £7½m.

R. M. Douglas Construction's largest contract is worth £2¼m and is for reconstruction of the M6 motorway at Bescot, for the West Midlands County Council. Work is due to be completed in February 1980.

Other large contracts include a reel store at Prudhoe, Northumberland for Kimberly-Clark (£1.2m), reconstruction and extensions to Gencorse Barracks, Penicuik for the Property Services Agency (£766,000) and First and Middle School, Southall for the London Borough of Ealing (£696,000).

R. M. Douglas Roofing has been awarded contracts for metal deck roofing and cladding valued at nearly £1m.

House modernisation

TARMAC SAYS it has won over £6m worth of local authority modernisation and environmental work in the West Midlands.

One of the major projects costing £2.1m is for Wolverhampton Borough Council. It will mean facelifts for 266 homes in the Green Lanes area of Bilston.

At Dudley, in the Priory West and Wrens Nest areas, more than 400 homes are to be modernised and in the Small Heath and Digby Park areas of Birmingham, a further two big environmental contracts will be under way shortly.

In Staffordshire, Tarmac has been awarded modernisation work for the South Staffs Council, involving nearly 100 homes at Olde Hall Road, Featherstone.

Tunnelling in the north

CONTRACTS for tunnelling, worth £2m, have been awarded to J. F. Donelon, of Bredbury, Cheshire.

Larger job is worth £1.4m and has been placed by Bury Metropolitan Borough, Lancs. This is for Tottington relief sewer and involves over 1,000 metres of segmental tunnelling. Work here has already started.

For the City of Bradford, company will provide segmental tunnelling in coal measure and open-trench works. This job is now well under way at a cost of £600,000.

Access to the roof

A ROOF inspection platform at St. Pancras Station, London, is to be constructed by French Kier Construction under a £738,000 contract awarded by London Midland Region of British Rail. The company's contract includes the design, manufacture and installation of permanent access trolleys which will travel on runway beams fixed to the roof.

IN BRIEF

- A £245,000 design and build contract has been awarded to P. Whelan by North British Properties for the construction of light industrial units on the Bellway Industrial Estate, Longbenton, Newcastle upon Tyne.
- Combating both fungal and bacterial activity is a new fungicide for paints and other adhesives. Densil P, just launched by ICI Organics Division, Manchester, M93DA (061-740 1460). It can be used for the protection of dry paint films in damp environments, such as breweries, dairies, laundries and swimming pools in indoor applications.
- Costain Construction has won a contract worth almost £¾m to extend Water Orton School for the Warwickshire County Council.
- The pre-cast concrete panel frame for an 11-storey office block for Trafalgar House Developments at Church Street, in the centre of Birmingham, is to be supplied by Bison at a cost of nearly £½m.
- Balfour Beatty Construction has been awarded a contract by British Nuclear Fuels for the design and construction of a single-storey stainless steel materials store building at Windscale, Cumbria.
- James Drewitt and Son has been awarded a £170,000 contract for a new library to be built in High Street, Wimborne, Dorset, for the Dorset County Council Amenities Committee.
- Overseas orders worth more than £300,000 have been won by Linford Building Group for decorating and fitting out five hotels for the Ramada Group in Ludwigshafen, Dusseldorf, Leverkusen, Brussels and Paris.

Mix of work by Farrow

FOUR contracts to a total value of close on £4.7m have been won by Farrow Construction (Northern), part of the Lovell Group.

Biggest of these is worth £2.1m and has been placed by Greater Manchester Passenger Transport Executive for a large bus garage at Altrincham in Cheshire. The contract also covers the associated works—canteen and boilerhouse structures in perimeter buildings attached to the main garage area.

Architects are Taylor Young and Partners.

Tameside Metropolitan Borough has commissioned the group to build a classroom block, workshop block and sports hall among other work in a £1.1m project at Tameside College of Technology, Ashton-under-Lyme. Also in education is a £600,000 job for the City of Salford. This covers a new building and refurbishing work at Ordsall Primary School, Salford.

For a warehouse and offices for World Distributors (Manchester), to provide not far short of 56,000 square feet, the company will be paid around £900,000.

Several U.K. jobs for Wimpey

LARGEST OF the latest UK contracts to Wimpey Construction is worth about £4.25m and has been awarded by the Guinness Trust for the construction of 195 dwellings in Haydon Street, London EC3.

This scheme is adjacent to the Wingate Centre commercial development for which Wimpey is the main contractor and is still working on phase 2.

The Guinness Trust Development which has just started will consist of two residential blocks of 6 and 8 storeys. Construction will be in reinforced concrete frame faced in brick cladding and with tiled mansard roofs.

Trehearnes are the architects and Cyril Sweett and Partners the quantity surveyors.

At Laindon, Essex, Wimpey is to construct 190 dwellings and a meeting hall for Basildon District Council (£2.8m), while up in Yorkshire it has won a £1.25m contract from the North British Housing Association for the construction of 106 dwellings at Wilsey Bank, Manchester Road, Bradford. Completion is due in February 1981.

Further north, the City of Newcastle upon Tyne has awarded Wimpey, the Arthurs Hill redevelopment contract valued at about £1.34m for the construction of 113 dwellings. These dwellings which are to be in brick construction will be contained in 12 blocks. The contract which has just started, is due for completion in April, 1980.

Industrial buildings

IN THE north-east, Rush and Tompkins has won contracts worth £2.25m. The majority are for industrial and commercial buildings, but there is also a maintenance contract at Teesside Airport for the Cleveland County Council that will approach £120,000 in value, and a £147,000 negotiated contract for an extension to the Amos Hinton supermarket at Guisborough, Cleveland.

Largest of the industrial contracts, worth £720,000 is for a 7,000 square metre building with office accommodation at mezzanine level, to be built at Team Valley Trading Estate, Gateshead. This is a negotiated contract to be completed in 39 weeks. The building will be used by Joshua Wilson & Bros. as a cash and carry warehouse.

Rush and Tompkins is also building two blocks of terraced factory units at South Bank, Middlesbrough for English Industrial Estates Corporation at a cost of £650,000.

A new two-storey office block of traditional construction and a steel framed warehouse is being built at Preston Park Industrial Estate, Eaglescliffe, Cleveland, for Ainsley Noble under a £207,000 contract, while at Osbourne Terrace, Newcastle, the company is rebuilding offices for Municipal Mutual Insurance at a cost of £409,000.

£9m Lovell awards in south

CONTRACTS WORTH nearly £9m have been won by Y. J. Lovell (Southern). Among the biggest is a computer centre for the Post Office at Portsmouth, which is worth over £2.7m. At Churchwood Drive, Hastings, Sussex, a supermarket is to be built for Glowforest, while at Alton, Hampshire, a new store for Key Markets is to be completed and fitted out, following the withdrawal of the original contractor. The value here is £650,000.

A £866,000 design-and-construct contract for Townson and Mercer, a member of the Plantation Holdings group, involves the erection of a factory, warehouse and offices at Beddington Lane, Croydon, and at Canterbury, Cressi is the client for a shopping centre to be built in Sturrey Road. When complete, it will be fitted out for Key Markets.

A buttery and bedroom extension to the Post House Hotel, Reading is being carried out for Trusthouse Forte Hotels at a cost of £289,752 and a day centre is to be built for Guildford Borough Council at North Place, Guildford, alongside the sheltered housing for the elderly at present being completed by Lovell.

Another member of the Lovell group, Walter Lilly, is to build shops, offices and flats at Marylebone Lane, London, W1, under £1.1m contract awarded by Stanhope Pension Trust.

Explosives will demolish maisonettes tidily

TWO BLOCKS of multi-storey maisonettes in Birkenhead, known as Oak and Eldon Gardens are to be demolished by A. Ogden and Sons (Demolitions), part of the Yorkshire based Ogden Group. Demolition will be carried out for the Wirral Borough Council by the controlled use of explosives and is the first project of its kind carried out by the company in the UK.

The demolition will be carried out in two phases, the first "drop" occurring late August and the second late September.

Hundreds of small tailored charges will be placed at carefully pre-calculated positions and phased detonation is expected to cause the collapse of the structure within its own confines.

REGISTRATION MARKS

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BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

June 19—21	Marine Electronics Exhibition (02802 5226)	Metropole Centre, Brighton
June 19—21	Electronic Test and Measuring Instrumentation Exhibition (01-902 8833)	Wembley Conference Centre
June 20—22	APRS Professional Recording Equipment Exbn. (09237 72907)	Connaught Rooms, WC1
June 24—28	Art Trade Exhibition (04024 46471)	Exhibition Centre, Bristol
June 25—30	International Food, Wine and Kitchen Exhibition (06284 2442)	Exhibition Centre, Harrogate
June 26—29	Microforum Europe '79 (01-405 6233)	Wembley Conference Centre
June 27—July 1	International Fisheries and Marine Equipment Exhibition—EUROCATCH (01-353 4885)	Olympia
June 30—July 1	Aldershot Tattoo and Exhibition (0252 24431)	Aldershot
July 3—4	EIA Engineering Exhibition (01-222 2367)	Metropole Centre, Brighton
July 4—6	Unit Load Show (01-908 2122)	Wembley Conference Centre
July 8—12	Autumn Lightshow (0248 88396)	Nat. Exhibition Centre, B'ham
July 23—27	How to sell into the Common Market Exhibition—IMPO EXPO (01-248 4444)	Wembley Conference Centre

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Transport Exhibition (IVA '79) (02013 4450) (until July 1)	Hamburg
Current	Advanced Communications Exbn. and Conference (until June 20)	Copenhagen
Current	International Exbn. and Congress for Metallurgical Equipment and Technology (until June 22) (01-409 0956)	Dusseldorf
Current	Chemical Engineering Exhibition and Congress (until June 23)	Frankfurt
June 19—21	International Microcomputers, Minicomputers and Microprocessors Exhibition—IMMM '79	Geneva
June 19—25	Technology '79	Tel Aviv
June 21—24	Swiss Flor '79	Lausanne
June 25—29	International Construction and Public Works Exhibition—CONPEX-ASIA (01-681 7688)	Singapore
July 2—6	International Exhibition for Opto-Electronic Systems—LASER (01-486 1951)	Munich
July 3—Aug. 1	Inaugural Trade Fair	Seoul
July 8—13	Summer Home Furnishings Market	Dallas
July 9—12	The National Housewares Exhibition	Chicago
July 16—20	Wood '79—The International Forestry Development, Timber Processing and Wood Working Exhibition	Singapore
July 23—28	International Engineering Exhibition	Melbourne
July 23—27	International Public Works and Municipal Services Exhibition—CIVICON (01-486 1951)	Johannesburg

BUSINESS AND MANAGEMENT CONFERENCES

Current	Urwick Management Centre: General Management (Slough 34111) (until July 13)	Slough
June 18—20	AMR International: Executive Secretaries (01-262 2732)	Royal Garden Hotel, W8
June 18—20	MPA: Pensions in Focus (01-839 7411)	University of Stirling
June 18	British Institute of Management: The Use of Microprocessors (01-405 3456)	Mount Royal Hotel, WC1
June 18—19	FT Conference: World-Wide Investment in the U.S. (01-236 4382)	New York
June 18—19	University of Bradford Management Centre: Industrial Marketing Planning (Bradford 42299)	Heaton Mount, Bradford
June 20	The Henley Centre of Forecasting: Forecasts for the EEC Countries (01-353 9961)	Carlton Hotel, SW1
June 20	Chatham House Conference: The Middle East after the Shah (01-930 2233)	St. James Square, SW1
June 20-21	Weisweiller Adfos: Exchange Control (01-403 6989)	The White House, NW1
June 21—22	The Wharton School: Methods of Forecasting and Decision Making for Executives (01-937 3163)	Portman Int'cont'l Hotel, W1
June 25—27	New York University: Cleaning, Coating and Finishing Metals (01-937 3163)	Kensington Hilton Hotel
June 26—27	ASM: Financial Aspects of Management for the Marketing Man (01-385 1992)	RAC Club, SW1
June 28	Wealden Press: Effluent and Water Treatment (039288 2366)	Albany Hotel, Glasgow
June 26—27	GIM: Organizational Behaviour (Rugby 812125)	Rugby, Warwicks.
June 28—29	FT Conference: Domestic Banking (01-236 4382)	Dorchester Hotel, W1
June 28—29	IPC Business and Industrial Training (01-643 8040)	Amsterdam
July 1—6	University of Bradford Management Centre: Group and Personal Effectiveness—Skill with People (Bradford 42299)	Heaton Mount, Bradford
July 1—4	IPM: Practical Negotiation Skills—A workshop in negotiation effectiveness (01-387 2844)	Hemingford Grey
July 2—6	BACIE: Managing Effective Relationships (01-636 5351)	Sackville Hotel, Hove
July 2—13	Brunel Management Programme: Management of Research (Uxbridge 56461)	Uxbridge
July 3—5	Fielden House Productivity Centre: Accounts for Non-Financial Managers (061 445 2426)	Nottingham
July 4	Microcomputer Consultants: Microcomputers '79—The Layman's Guide to Micros in Business (01-247 1939)	Metropole Hotel, Birmingham; Bowater Conference Centre, London

Parlamentary business

TODAY

COMMONS—Conclusion of Budget debate. Debate on EEC document on drinking water analysis.

TOMORROW

COMMONS — Education Bill, second reading. Debate on EEC document and on *the second supplementary* memorandum on aircraft noise.

LORDS—Kiribati Independence Bill, remaining stages. Debate on the Goverment's economic strategy.

WEDNESDAY

COMMONS—Motion on the Scotland Act 1978 (Repeal) Order.

LORDS—Debate on the unacceptably high level of unemployment.

THURSDAY

COMMONS—Debate on the effects of unemployment of the proposed cuts in manpower services. At 7 pm opposed Private Business.

LORDS—Justices of the Peace Bill (consolidation measure). Sale of Goods Bill (consolidation measure). Conservation of Wild Creatures and Wild Plants (Amendment) Bill. Debate on the problems of the shipping industry and the 12th report of the European Communities Committee on EEC shipping policy.

FRIDAY

COMMONS—European Assembly (Salaries and Pensions) Bill, second reading.

Perkins builds research boat

PERKINS ENGINES of Peterborough, has designed and built a new motor cruiser at a cost of £140,000 for research into marine engines. The 57-foot-long craft, which will operate out of Sutton Bridge, South Lincolnshire, will be used to test six and eight cylinder engines in all weather conditions when research engineers will monitor their endurance and noise levels.

The boat is part of the company's research and development programme which is costing £6m a year.

Bicycle saddle safety device

A SPRING-LOCK bicycle saddle, that adjusts while the machine is moving, has been developed by a Colvend, Kirkcudbrightshire man. It is thought to be a big advance in safety.

Mr. Albert Vince, its inventor, says that it permits a high saddle position for efficient pedal power when riding, while allowing both feet to touch the ground easily when starting off or coming to a halt.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly *for the purpose of considering dividends and official indications are* not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Collett, Dickenson, Pearce Intnl., 110, Euston Road, NW, 10.00.
Costain Group, Goldsmiths' Hall, Foster Lane, EC, 12.00.
Early (C.) and Marriott, Witney Mill, Oxfordshire, 2.30.
Edinburgh Invest. Tst., 3, Charlotte Sq., Edinburgh, 12.30.
Findlay (Andrew R.), 1175, South St., Glasgow, 12.00.
Hammerson Property and Inv. Tst., 100, Park Lane, W, 12.00.
Marshall's Universal, Fairfield Halls, Park Lane, Croydon, 12.00.
Simon Engineering, Bird Hall Lane, Cheadle Heath, Stockport, 12.00.

BOARD MEETINGS—
Finals:
Brown and Tawse
Chamberlain Phipps
Dawson Intnl.
Hambros
Shaw and Marvin
Interims:
Great Northern Inv. Trust
Hanson Trust

DIVIDEND & INTEREST PAYMENTS—
Farmer (S. W.) 5.55p
Leadenhall Sterling Ord. 3.6925p
London United Invests. 2.8126p
Minet 1.41933p
Nathan (B. and I.) 2.55p
Plaxton's (Scarborough) 2.25p

TOMORROW

COMPANY MEETINGS—
Amalgamated Power Engineering, Queens Engineering Works, Bedford, 12.00.
Bodycote Intnl., 7, Charlotte St., Manchester, 12.30.
Brocks, Winchester House, 77, London Wall, EC, 11.30.
Duncan (Walter) and Goodricke, Winchester House, 100, Old Broad St., EC, 11.00.
Deport, Midland Hotel, New St., Birmingham, 12.30.
Estate Duties Invest. Tst., 91, Waterloo Rd., SE, 12.15.
Inter-City Inv., Winchester House, 100, Old Broad St., EC, 10.30.
North (M. F.), Stanhope Court Hotel, Stanhope Gardens, SW, 2.30.
Runciman (Walter), 52, Leadenhall St., EC, 12.00.
Tarmac, Hyde Park Hotel, Knightsbridge, SW, 12.00.
U.D.S., Churchill Hotel, Portman Square, W, 12.00.
Wadham Stringer, Post House, Northney Rd., Hayling Island, Hants., 12.00.
Wilkins and Mitchell, Mount Hotel, Wolverhampton, 3.00.
Wincamore Invest. Tst., Great Eastern Hotel, Liverpool St., EC, 12.00.

BOARD MEETINGS—
Finals:
Baraoora Tea
Bradford Property Trust
[illegible]
Hargreaves Group
Northern Securities Trust
J. T. Parrish
United Spring and Steel
Interims:
Carr (John)
Crest Nicholson
Dennis (James H.)
Dundee and London Inv. Trust
Fenner (J. H.)
Record Ridgeway

DIVIDEND & INTEREST PAYMENTS—
Estate Duties Invest. Trust 1.3p
Scottish National Trust 1.6p. 6pcPf. 2.1pc
Yarrow 1.85p

WEDNESDAY, JUNE 20

COMPANY MEETINGS—
Brixton Estate, 22-24, Ely Place, 12.15
City of Oxford Invest. Tst., 41, Bishopsgate, EC, 11.30.
Hawker Siddeley, Dorchester Hotel, W, 12.00.
Holyrood Rubber, 1-4, Great Tower St., EC, 3.00.
Idris Hydraulic Tin, 65, London Wall, EC, 2.30.
Kuala Selangor Rubber, 1-4, Great Tower St., EC, 12.30.
Le Bas (Edward), 49, Glebe Place, Chelsea, SW, 12.00
London and Lennox Inv. Tst., 2, St. Mary Axe, EC, 11.30.
Milford Docks, Hyde Park Hotel, 66, Knightsbridge, SW, 12.00.
Pentland Inds., Kingmaker House, Station Rd., New Barnet, Herts, 12.00
Piccadilly Theatre, Piccadilly Theatre, Denman St., W, 11.00.
Provincial Insur., Brewery Art Centre, Highgate, Kendall, Cumbria, 1.30.
Richardsons Westgarth, St. Ermin's Hotel, Caxton St., SW, 12.00.
Seccombe Marshall, 7, Birchin Lane, EC, 3.30.
Shiloh Spinners, Holden Fold, Royton, 11.30.
Securities Trust of Scotland, 29, Charlotte Square, Edinburgh, 12.00.
Wadsworth (F. W.), Connaught Rooms, Great Queen St., WC, 11.45.

BOARD MEETINGS—
Finals:
[illegible]
Interims:
[illegible]

DIVIDEND & INTEREST PAYMENTS—
Baker (A. G.) Dm6
British Printing Corp. Db. 3¼, 3½, 3¾, 4½pc
Edinburgh Invest. Tst. Dfd. 4.4p
Essex Water Perp.Db. stks. 1¾, 2, 2¼ (80-81), 2¼ (80-82), 2½(perp.), 2½ (77-79), 2½ (86-91), 2¾, 3, 3¼, 3½ (86-88), 3½ (87-89), 3¾, 4, 5, 5½pc.
Finance for Industry 14pcUns.Ln. 1983 7pc
Halliday (L. B.) 4½pcPf. 1.575pc
Hoveringham Ord. and R.V. Ord. 1.6352p
North (M. F.) 0.4475p
Royal Dutch Petrlm. (Reg.) NFl5.75
Wincamore Invest. Tst. 2.71p
Wrights (Retail Grocers) Db. 3pc

THURSDAY, JUNE 21

COMPANY MEETINGS—
Alginate Inds., Charing Cross Hotel, WC, 12.00.
Booth (Intnl.), Piccadilly Hotel, Piccadilly, W, 12.00.
Bulgin, Bypass Rd., Barking, Essex, 3.00.
Fashion and General Invest. Tst., Winchester House, 100, Old Broad St., EC, 12.00.
Garnar Scotblair, The Grange, Bermondsey, SE, 2.30.
General Scottish Tst., 4, Melville Crescent, Edinburgh, 11.00.
Hay (Norman), Excelsior Hotel, Heathrow Airport, Bath Rd., W. Drayton, Middx, 11.00.
Highgate Optical, Clarendon Court Hotel, Maida Vale, W, 11.00.
House of Fraser, Merchants House, 30, George Sq., Glasgow, 12.00.
Hyman (I. and J.), Queen's Hotel, Leeds, 12.00.
Industrial and General Trust, Winchester House, 77, London Wall, EC, 12.
U.K. Indust. Investments, Empire House, 123, Kennington Rd., SE, 12.00.
Mallinson Denny, 130, Hackney Rd., EC, 12.00.
Tern-Consulate, Lawrence Rd., Tottenham, N, 12.00.
Weeks Assoc., Royal Station Hotel, Hull, N. Humberside, 12.00.

BOARD MEETINGS—
Finals:
Baker Perkins
British Steam Specialties
Butterfield-Harvey
Electric and General Inv
(Industries)
London and Assoc. Inv. Trust
Petbow
Racal Electronics
Tunnel
Westerick Prods.
Wilkinson Match
Interims:
Beristord (S. and W.)
Bluemel Bros.
Lonsdale Universal

DIVIDEND & INTEREST PAYMENTS—
Automotive Products 0.77085p
Equity and Law Life Assur. Society 7.25p
Fashion and General Invest. 3.41p
Hurst (Charles) Motors 3.3p
Milford Docks 2.94p. Do. 1.68p
National Westminster Bank Floating Rate Capital Notes due 1990 $US63.19
Shiloh Spinners 1.0769p
Urquijo Intnl. N.V. $US62.328767
Westward Television C non-vtg. Ord. 0.65p

FRIDAY, JUNE 22

COMPANY MEETINGS—
Ayrshire Metal Products, 17, Church St., Irvine, Ayrshire, 4.30.
Bilton (Percy), Bilton House, Uxbridge Rd., W, 12.00.
Bulmer and Lumb, Victoria Hotel, Bradford, 12.00.
Coats Patons, Merchants' Hall, 30, George Square, Glasgow, 12.00.
Dwek, Hilton Hotel, Park Lane, W, 12.00.
FPA Cons., Hallam Tower Hotel, Sheffield, 12.00.
Laing Properties, Inn on the Park, Hamilton Place, Park Lane, W, 12.
Scottish Northern Invest. Tst., The Station Hotel, Guild St., Aberdeen, 12.15.
Toye, Connaught Rooms, Great Queen St., WC, 12.00.
Vickers, Millbank Tower, Millbank, S.W., 12.00.

BOARD MEETINGS—
Finals:
Anderson's Rubber
Anderson Strathclyde
Norcros
Rivington Reed
Scapa
Whiteley (B. S. and W.)
Interims:
Cardiff Malting

DIVIDEND & INTEREST PAYMENTS—
Aberdeen Trust 1.35p
Atlas Electric and General Tst. 1.5p
Ayrshire Metal Products 3.2885p
British Printing Corpn. Ln. 3¼, 4¼, 4½pc
Cambrian and General Securities 1.6p
Chesebrough Pond's Inc. 27 cents
Dewhirst (I. J.) 1.07p
East Surrey Water Ord. A 7pc (fmly. 10pc) max. 3.5pc. Ord. B 4.9pc [illegible] max. 2.45pc. Ord. C 3.5pc [illegible] max. 1.75pc. 3.15pc [illegible]
[illegible]
Scottish Northern Inv. Tst. 2.6p
Tronoh Mines Malaysia Bhd. 80 cents
United States Trust Invest. Fund 10 cents
Wadham Stringer 1.356p

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

John Lloyd charts how an electronics expert moved from being an organisation man to entrepreneur

The art of survival when the chips are down

THE BIRTH of an entrepreneur may be the simple result of an organisation man coming up against a brick wall. A new direction then appears not so much a choice as a necessity.

Something of the sort happened to Dr. Ian Mackintosh. A trainee Post Office engineer who decided to get educated after his national service, he used a good degree to propel himself into U.S. electronics. He served his apprenticeship at Westinghouse and AT and T's Bell Laboratories in the states in the later 1950s and early 1960s: but both he and his wife had discovered they preferred Britain.

In 1963, he flew back to England to discover what use, if any, British electronics could make of him. For two frustrating weeks, it seemed that it could make none. As in all good stories, he was near to giving up when he saw that Elliott Automation, then one of the UK's strongest (especially in defence) electronics companies was expanding. Late one night, from his hotel room, he phoned Elliott's managing director, and sold himself. Mr. Leon Bagrit took 24 hours to buy: Mackintosh was offered the *opportunity of heading Elliott's* new electronics subsidiary which the company located in Glenrothes.

In those days, everyone's conception of a semi-conductor would have been no better than Bernard Levin's—that of *a ticket collector who will only* work on one floor of the bus. Mackintosh was in territory relatively uncharted by the UK: he thus sought his guidance from the source he knew well, the U.S.

Elliott took out a licence from Fairchild Camera and Instrument, then the U.S.'s leading chip manufacturer, and followed that company's lead slavishly. At the same time, however, he was building up his own research and development division: by the time his production lines were turning out 1m units a year (high for the time), Mackintosh believed Elliott's was the most advanced semi-conductor company in Europe.

Hubris attends success.

Dr. Ian Mackintosh

Elliott had invested heavily in the TSR2 fighter aircraft, which was scrapped by the Government soon *after Harold Wilson* assumed office in 1964. Weakened, the company was ripe for takeover—the buyer was English Electric, whose Marconi subsidiary also manufactured semi-conductors at Witham. Mackintosh's plant was *no longer wanted.* He was offered the post of deputy managing director in the Marconi/Elliott division, but would not play second fiddle. He had met his brick wall: and so turned entrepreneur.

He was wise to do so, though at that time, he could only have guessed at the reason. While Marconi-Elliott Microelectronics largely followed the pattern set by Elliott, English Electric was itself taken over by Britain's General Electric (GEC) in 1968. Two years later, recession hit the U.S.—and worldwide—semiconductor industry, while at the same time Texas Instruments, by then the world's largest producer, embarked on a price-cutting war. Those U.S. companies which survived were selling products at lower than UK production costs.

Marconi-Elliott, still linked to Fairchild, followed that company, when it tried to fight back—but the competition was too tough. GEC, failing to persuade the Government that it should impose tariffs or quotas, ended its experiment with *mass-produced microcircuits*—a decision which took the UK out of the field until the present day (ironically, GEC is now entering the large volume field once more, in partnership with Fairchild).

Mackintosh, meanwhile, was having his own problems. He had tried to get funding for his own semiconductor company—"£2m was all I needed: I couldn't get it anywhere in Europe"—and thus, he decided that if he could no longer make chips, he could provide others with his expertise. He turned consultant.

"During my time at Elliott I had occasionally used American consultants, and I found them very useful. They raised questions I hadn't had time to raise: they gave you a fresh angle on things. There was *no-one in Europe doing* anything in the area—I was the first to specialise."

So, using his own savings and working from his home in the fishing village of Anstruther on the Fife coast, Mackintosh specialised in his own area—electronics. Using his many contacts in the European and U.S. industries, he began to get his name around. But he was hampered, in part, by the limited ambitions of the companies he sought to serve.

"All the companies recognised in a superficial sort of way that semiconductor technology was necessary. Almost all of them—Siemens, Thomson CSF, Plessey, Ferranti, GEC—had their microelectronic capabilities and were all what I'd now call toying with them. But there wasn't the understanding at the Board level of just how important it was, just what was necessary to succeed in this industry, and the net result was that all over Europe, the microelectronic capabilities of the companies dragged along very much behind the Americans. And then, of course, the Japanese came in.

"During the era when Tony Benn was Minister of Technology (1968-70) I was commissioned to do a study of the British microelectronics industry, so there certainly was an element of concern then. There followed six or seven years of relative inaction. Spending a little more on R and D, a £1m here, a £1m there. But there wasn't the clear recognition that this was becoming an absolutely vital technology."

Besides the relative lack of interest, there were two other *constraints on his growth*—and which, in part, are still there. First, European industries took longer to acquire the consultancy "habit," often preferring to rely on in-house experts or the chairman's hunches. That situation has changed considerably. Second, the diversity of languages in Europe means that the market has to be served by consultants who are linguists as well as economists/engineers, and that is still a fact of life.

A more pressing fact of life, however, was that electronic—especially microelectronic—technology was developing rapidly, and that the electronic companies were becoming more and more "knowledge-based"—the phrase itself is a coinage of the 'seventies. Mackintosh, as one of the few Europeans who *knew the technology* from the bottom up and understood the market and its development, began to find an audience. His company grew—from just himself in 1968, through 20 in 1972, 40 in 1976 to over 60 today, with a turnover of around £1m, and offices in Germany and California.

The bread and butter of consultancy work is specific, one-off reports for companies. Typically, a large company with plans to open a subsidiary overseas might order a study of the sector in which its future subsidiary would operate. But consultancies make their name on much-publicised, multi-client or Government studies, which cover wide areas, involve large-scale teamwork and are generally announced with a flourish.

Mackintosh Consultants has a number of these under its belt, including a successful multi-client report on Consumer Electronics in Western Europe in 1975 and a strategic study of the European semiconductor industry sponsored by the West German, French, Dutch and British Governments in 1977.

Currently, in association with Communications Studies and Planning the company has just produced a multi-client report on electronic mail, to which most of Europe's post and telecommunications authorities subscribed. Mackintosh is well into a major report for the West German government on the contentious subject of microelectronics and employment. Yet it was a relatively modest—and comparatively cheap—report for the National Enterprise Board last year which gave the company most publicity, not all of it welcome.

Mackintosh had long been a supporter of the idea of a UK-based volume chip manufacturer, and *had come* to the conclusion that only the Government could fund it. "If you look at the kind of government support that the American microelectronics industry has had, almost since its inception, and also look at the kind of support the Japanese industry is receiving from its government, you will see that these extremely large sums have distorted commercial criteria in this industry to the point where no non-American or non-Japanese company can hope to succeed without Government support."

Thus when the idea of Inmos was first mooted as the UK's answer to Silicon Valley, funded by the National Enterprise Board, Mackintosh was sympathetic if initially doubtful. Asked by the NEB to study the *project's* feasibility, however, he assumed the mantle of objectivity: "We looked at it very carefully indeed, originally from a position of considerable scepticism, because a lot of mistakes have been made in this industry. We looked at the technological aspects, of Inmos, we looked at its market forecast, we looked most particularly at its strategy and its people, and as we got further and further into it, we became very impressed indeed with the total proposition. A prospect which originally seemed to be extraordinarily difficult came, at the end of our analysis, to seem like a real possibility."

Mackintosh now has ambitious plans for expansion. Last month, it concluded negotiations with the Industrial and Commercial Finance Corporation for an injection of £100,000—the first outside finance, beside bank overdrafts, in the company's lifetime—in return for a 30 per cent stake and an ICFC man on the board. The new cash, it is hoped, will fill the "expansion gap" which many entrepreneurial companies face when they reach the £1m annual sales mark. With ICFC's aid, Mackintosh has laid down a target of £5m annual sales by 1985.

EXECUTIVE HEALTH

BY DR. DAVID CARRICK

Nobody likes a sneezer

I DO not know who coined the term "hay-fever" many years ago, but it is nearly as inaccurate as the word "malaria" which can be contracted in the purest of climates, so long as there is a limpid pool wherein the nymphs can dwell until they graduate into mosquitoes, and are then fully equipped to carry a deadly disease in no way connected with "bad air."

Hay-fever (or allergic rhinitis) certainly afflicts more people at a time when many grasses pollenate than at any other season. But there is hardly a month in the year when some unhappy soul is not afflicted by attacks of sneezing, snuffling and lachrymation, because there is nearly always some shrub, tree or moss flowering and casting its pollen abroad.

Everyone must know the signs and symptoms of hay-fever—the red, runny eyes, the *snuffling and the explosive* sneezes—unavoidable displays which never excite sympathy from colleagues or strangers who frequently edge away in an offended manner, even if they know that the condition is not contagious. Somehow it is difficult to be sympathetic with a sneezer.

There are certain methods for controlling this and other allergic conditions but a recent incident makes me wish to warn people to certain dangers and try to teach how they can be avoided.

Before the days of handkerchiefs *presumably* people sneezed and blew their noses in a natural manner which now would be regarded as disgusting. This notion would never have occurred to me had it not been for my old school doctor, a great beater and purveyor of castor *oil, who passed the message on* in a powerful fashion.

On the first day at school, all the new boys had to gather in the gym to witness a disgusting display enacted for us by old Dr. L., a stoical man whose Grecian visage was somewhat marred by a veritable mammoth of a nose of which he was inordinately proud. It was also a curiously well-stocked nose to which aridity was a stranger.

He would stand in front of us and tell us to blow our noses. We obliged timidly and genteely in the normal way, i.e. by holding our handkerchiefs pinched over both nostrils, building up pressure, and then letting go.

Dr. L. was not pleased. He would perform a little war-dance (gout permitting), bellow for us to stop sniffing and tell us that we were fools, even knaves for doing it all wrong. "Want to break your eardrums, eh?" he would shout, "now you just watch me and I will show you the *right* way."

At this point a lackey would rush forward with a large handkerchief, while Dr. L. took an immensely deep breath. Then, holding one finger over one nostril he would aim at the handkerchief which he held at arm's length ... and he sometimes hit it. "See?" he would then pant, "that way you don't damage your ears nor push germs up into your brains—if you have any—always remember that, and you will never go deaf!"

Although I think that Dr. L. was something of an exhibitionist, the lesson he taught was good and has stayed with me. I try to teach people his method—not, of course, holding the handkerchief away from the nose. And, however aggravating it may be to others, I attempt to get patients to sneeze *properly* and never to suppress a natural act.

Recently I saw a young girl who had badly perforated an eardrum. Apparently she worked for a man who objected to noisy sneezing (he says he is "highly strung") so the girl had been hiding in a handkerchief and sneezing inwards, so to speak. Having repaired the resulting damage twice, I became bored and discussed the problem with the phonophobic man who is kindly at heart. Happily, a satisfactory compromise has been reached.

LOMBARD

How not to run a railroad

BY SAMUEL BRITTAN

IT IS pretty controversial for a Government to embark on a policy, which according to its own best estimate will lead to an increase in the Retail Price Index of 17½ per cent in the year up to next November. But to allow this fact to slip out incidentally in the course of Supplementary Answers by Mr. Patrick Jenkin, *the Secretary of* State for the Social Services in relation to a pensions increase is scarcely credible.

For some reason I happened to hear the Parliamentary exchanges on this occasion which were interrupted by a familiar, heavy, portentous voice: "Is the right hon. Gentleman aware that the calm complacency with which he admits that Government measures will lead to an inflation rate of 17½ per cent within the *next few months is totally out*rageous, that we see no sign that the Government intend to fight this . . .?"

Outrage

By now I think I can recognise the different Callaghans: this was not the machine manipulator, nor the opportunist. It was the ex-Prime Minister expressing genuine outrage at the inflation prospect and the way it was being handled.

Nor is there any point in blaming the unfortunate Mr. Jenkin, who has so often been the fall guy of Conservative Administrations. The Government is legally obliged to adjust pensions by the estimated increase in retail prices over the year to next November; and anyone could have done the calculation. Indeed Mr. Jenkin mentioned his figure mainly to rebut a suggestion that the Government's inflation forecast was really 19.4 per cent—some *1.9 per cent of the pension* increase was compensation for an underestimate in the Labour Government's last pension rerating.

The difference between the Jenkin 17½ per cent and the 16 per cent increase in the retail price index estimate in the Chancellor's Financial Statement of the previous day is easy to explain. The Chancellor's figure was a comparison of the third quarter, July to September, of 1979 with the same quarter a year ago. The pension increase was based on a hitherto unpublished November to November estimate. The Financial Statement also forecast an inflation rate in the year to the third quarter of 1980 of 13½ per cent. So we may at least hope that the 17½ per cent figure is somewhere near the peak rate expected by the Treasury before the inflation rate begins to drop.

This being so, one would *suppose that every effort would* be made to ensure that 17½ per cent did not become the most widely quoted single estimate of the inflation rate while unions are formulating their next season's wage claims and employers are thinking about their riposte.

It is no use Ministers expressing scepticism about forecasts, if they can be shown to be acting on them. If they did not believe the official 17½ per cent *estimate, it would surely have* been possible to base the pensions increase on a lower estimate, making up the difference after the event. The whole episode brings out the unwisdom of indexing pensions to an inflation *forecast*, while tax starting points are indexed to *actual* inflation in the past calendar year.

If this way out was impossible or rejected, then at the very least the point should have been anticipated and fully covered in the Budget Speech, which can be too short as well as too long. Every government needs someone whose nose is not attached to a Ministerial grindstone, who can stand back and look at the total impact of government policies, in broad policy areas. Such a person can be a Minister without portfolio, but an effective head of the "Think Tank" might do the job as well.

Churchill

But I do not want to conclude on mere presentation. An economic Churchill or de Gaulle—even if he had accepted the desirability of a switch from direct to indirect taxes last year when Conservative strategy was formulated—would have realised that the deterioration in both the world and the British inflation prospects which took place largely over the election period itself made necessary a dramatic switch of priorities from playing with tax switches to countering inflation.

It is not too late for Sir Geoffrey Howe to begin repairing the damage by announcing tonight in his winding-up speech in the Budget debate, longer-term and declining monetary targets for later financial years. The excuse that it is first necessary to estimate future borrowing requirements will not wash. The logical order is first to formulate monetary targets in the light of inflation objectives and then to adjust, not budgetary *estimates* but budgetary *policy*, if the latter seems likely to put too great a strain on interest rates. An annual reduction of 2 per cent in monetary growth from the present upper 11 per cent limit in the three subsequent fiscal years should be the minimum aim. And I am willing to bet that no amount of anxious high level meetings, nor sophisticated econometric calculations, will give the Chancellor a more scientific basis than this simple suggestion. If *he does not commit himself* to such aims very soon, we might as well have the wage freeze here and now.

A step towards reviving 'civil death'

IN EARLY times a conviction for felony resulted in the felon's "civil death." He forfeited all his property, lost the rights to contract, to use the courts and to inherit or transfer land.

Those severe restrictions on serious criminals were whittled away in time, and the Forfeiture Act, 1870, swept away the notion of forfeiture as a proper instrument of a civilised criminal-justice system.

A person convicted of crime could no longer be stripped of his assets as a punishment. He could be fined, commensurately with his crime, and he could be ordered to make restitution or *compensate his victim*. More recently the concepts of criminal bankruptcy and community service orders have been added as forms of restitution to victims in, respectively, money and kind.

But no offender could be made to disgorge the fruits of his crime other than in the limited ways that the law now provides. If a man makes a vast profit out of pornograhy, the law permits the court to fine him and to order the destruction of any matter that is held to be obscene.

But can it assume that his assets are the proceeds of his crime of peddling the pornography and seize them?

If the decision of the Court of Appeal (Criminal Division) last week in R v. Annable and others (the Operation Julie case) is anything to go by forfeiture is back with a vengeance.

Fifteen people were convicted at Bristol Crown Court in March, 1978 of manufacturing and marketing the drug LSD in vast quantities. Money found at the London LSD factory at Hampton Wick and at addresses in Wales and London, as well as large sums of foreign currencies in bank accounts in France and Switzerland, were the subject of an application by the Crown for forfeiture.

Intention

Section 27 of the Misuse of Drugs Act, 1971, provides that the court may order "anything shown to the satisfaction of the

THE WEEK IN THE COURTS

BY JUSTINIAN

court to relate to the offence, to be forfeited and either destroyed or dealt with in such other manner as the court may order." The law goes on to provide that anybody claiming to be the owner of, or otherwise interested in, the property must be given an opportunity of showing cause *why forfeiture should not be* ordered.

Was Parliament's intention in giving that power to the courts anything more than the power to deal with dangerous articles be they guns or drugs, used in the course of committing the crime?

The Firearms Act permits the seizure and foreiture of shotguns and the like; earlier, the Prevention of Crimes Act had provided that any offensive weapon might be forfeited when someone was convicted of possessing it.

The Obscene Publications Act provides that obscene material can be ordered to be forfeited and destroyed. And, a few years ago, Parliament accepted a recommendation of the Advisory Council on the Penal System that a motor vehicle used as a means of transport to and from a robbery should be confiscated, subject to the rights of the true owner to claim that it should not be forfeited.

Dangerous drugs were just another example of noxious articles seized by the police in the course of investigations related to criminal offences.

In short, was not Parliament deciding to provide for forfeiture of noxious articles for the protection of the public, and not seeking to enrich the State's coffers by seizing the *fruits of crime? After all*, the power to recover the proceeds of a robbery is not for the benefit of the public but for the benefit of the person whose property has been stolen.

Forfeiture

The Court of Appeal did not feel inhibited by the prospect that an order forfeiting the proceeds of supplying LSD to drug users would come perilously near to reviving the old notion of civil death. The judges merely said that the words of the Act were wide enough to allow the courts to seize all the ill gotten gains of the convicted persons and distribute the money among the various police forces engaged in Operation Julie.

The only limitation appeared to be that any houses purchased by the convicted persons—there were three, one in mid-Wales, one in London and the other in France—could not be the subject of forfeiture.

The more intriguing question posed by the Crown's claim to forfeiture of money belonging to the drug offenders was *whether the court's powers* extended to bank accounts abroad.

Extradition

It is one thing for an English court to order that money seized by the police during a raid on premises and kept by them during the criminal proceedings should not be handed back but confiscated. It is altogether another case where police have information that the proceeds of crime have been salted away in the vaults of a bank in Zurich.

Even if Parliament intended to catch within the forfeiture net money found abroad, how does it enforce the order?

There is a well established rule of international law that no penal or revenue law of one country is enforceable in the courts of another country.

Some years ago, the Indian Government sought to prove in a liquidation of an English company an indebtedness arising out of an assessment to tax. The House of Lords held that a revenue law could not be enforced here, and the Indian Government's claim to payment of tax had to be rejected.

Conversely, our penal laws (including forfeiture) would not find favour in foreign courts.

Extradition of offenders between countries is an acknowledged exception, but even then there is no arrangement for the surrender of persons charged with revenue offences (that is why Lord Kagan has been immune from the allegations of breaches of exchange control brought against him and his wife).

Parliament, in passing the forfeiture provision in the Misuse of Drugs Act, must have intended that the property susceptible to forfeiture would be within the jurisdiction of the English courts. Moreover, the forfeiture was intended as a speedy and easily executed order and not a first step in a complicated process for actual recovery of the property, either at home or abroad.

Whenever criminal courts are aware that large profits are made from crime which are not the losses of the identifiable victims of crime, the desire to prevent the unjust enrichment of the criminal is wholly understandable.

The length of prison sentences very often reflects the court's idea that criminals should be prevented from enjoying the fruits of their crimes at least for a long time. There is something absurd about arguing for shorter sentences in the case of those who are likely to have access to enormous sums of money on their release.

Penalties

As Mr. Justice (now Lord) Edmund Davies told one of the Great Train robbers: "It would be an affront if you were at liberty in the near future to enjoy these ill gotten gains. I propose to ensure that such an opportunity will be denied you for an extremely long time."

What would have happened had the robbers been told by the judge that their 30-year sentences would be reduced to 20 *years if they handed over half* the money stolen, or even only 10 years if they handed it all over? There is obviously a link between prison sentences and the disgorging of illegally acquired money.

Courts do in fact run the two penalties together by imposing smaller monetary penalties where the offender receives a long prison sentence. Restitution of compensation in full frequently reduces the length of any prison sentence imposed.

But fining is one thing; *for*feiture of property is another. The Court of Appeal seems impermissibly to have extended the latter power in the absence of the use of the fine against large-scale drug offenders who have been sent to prison for long terms.

The penological tangle thus produced will have to be unravelled by the House of Lords, to whom an appeal is to be made.

Starkey challenges Mercer

RACING

BY DOMINIC WIGAN

JOE MERCER seems sure to do well at Royal Ascot. Indeed, he is 5-4 favourite to ride the highest total of winners there, but I expect Greville Starkey to challenge him throughout the week.

Starkey, backed from 10-1 to 7-1 with the Tote and from the same odds to 9-1 with Coral's, has several likely horses tomorrow.

In the Queen Anne Stakes he will ride Luca Cumani's Spring In Deep Sea; while later in the afternoon his mounts include Final Straw (Coventry Stakes) Young Generation (St. James's Palace Stakes) and—possibly—Crystal Queen in the Ribblesdale Stakes. I particularly fancy Young Generation.

The Guy Harwood miler has improved a great deal since he ran a close third behind Tap On Wood and *Kris in the 2,000* Guineas, and he would probably have beaten Pitasia far more comfortably at Chantilly recently had he achieved a clear run. I shall be surprised and disappointed if he cannot reverse his Guineas form.

Joe Mercer's principal mounts tomorrow will be Kris and in the Prince of Wales Stakes, Lyphard's Wish.

On Wednesday, Mercer will be relying on Odeon in the Ribblesdale and his banker One In A Million in the Coronation. He has two other likely looking prospects in Remainder Man and Dasman. Starkey's Wednesday mounts will include Green Hill God in the Royal Hunt Cup and Lumen in the Queen's Vase.

On "Lady's Day" (Thursday) few are likely to oppose Mercer's Buckskin in the Gold Cup or the Starkey-ridden Ela-Mana-Mou in the King Edward VII Stakes. Two other mounts likely to attract plenty of support are Why Not in the Norfolk Stakes and Volcanic in the King George V Stakes, both ridden by Mercer.

Although he has been something of a disappointment to his trainer, the Starkey-partnered Vaigly Great seems certain to *take a good deal of beating in* Friday's King's Stand Stakes. Earlier another mount for Starkey Old Stock should give a good account of himself in the Britannia. Mercer's best prospect on Friday is Masked Marvel, who takes on Oldstock.

Lester Piggott, so often leading jockey at this meeting, has plenty of mounts as usual, but they do not have the class to gain him victories.

Piggott rides four for O'Brien, including Thatching in the Cork and Orrery and London Bells in the Coventry. He will also partner two or three "second strings" for Cecil. I would not be surprised to see Formulate, whom Piggott rides in the Coronation Stakes, beating stablemate One In A Million.

At this evening's meeting at Windsor, Top Call seems a *sound bet for the Oakley Green* Handicap. This Michael Stoute-trained filly has improved a good deal since running prominently for a long distance in Newmarket's National Federation of Self-Employed Handicap on May 19.

WINDSOR

6.45—Master Touch
7.35—Storm Crest*
8.35—Etonian**
7.10—Hot Trail
8.05—Top Call***
9.05—Parthian Lad

TV/Radio

BBC 1

† Indicates programmes in black and white.

6.40-7.55 am Open University (uhf only). 9.38 Schools. 10.45 You and Me. 11.22-11.42 Schools. 1.15 pm News. 1.30 Over the Moon. 2.01 Schools. 3.40 Your Songs of Praise Choice. 4.20 Play School. 4.45 Baggy Pants. 5.05 Blue Peter. 5.35 Fred Basset.

5.40 News.
5.55 Nationwide (London and South-East).
6.20 *Nationwide.*
6.55 Ask the Family.
7.20 The Dukes of Hazzard.
8.10 Panorama.
9.00 News.
9.25 Film: "The Detective," starring Frank Sinatra.
11.15 Tonight.
11.55-12.00 Weather/Regional News.

All regions as BBC-1 except at the following times:—

Scotland—5.55-6.20 pm Reporting Scotland.

Wales—1.30-1.45 pm Pili Pala. 5.55-6.20 Wales Today. 6.55-7.20 Heddiw.

Northern Ireland—4.18-4.20 pm Northern Ireland News. 5.55-6.20 Scene Around Six.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
11.00-11.25 Play School.
4.50 Open University.
6.55 Piaf.
7.15 News.
7.25 Ten Years of Yesterday's Witness.
8.10 The Waltons.
9.00 Sing Country.
9.40 Inside Story.
10.30 Verse, Worse and Baby Grand.
11.00 Return Call.
11.10 News.
11.25 Heute Direkt.
11.50-12.00 Closedown.

LONDON

9.30 am Schools. 12.00 Chorlton and the Wheelies. 12.10 pm Pipkins. 12.30 The Sullivans. 1.00 News. 1.20 Thames News. 1.30 All About Toddlers. 2.00 Film: Bradford Dillman in "Murder or Mercy." 3.20 This Year Next Year. 4.20 Clapperboard. 4.45 Why Can't I Go Home? 5.15 Batman.

5.45 News.
6.00 Thames At 6.
6.35 Crossroads.
7.00 LingaLongaMax.
7.30 Coronation Street.
8.00 In Loving Memory.
8.30 World in Action.
9.00 Spearhead.
10.00 News.
10.30 Film: Dirk Bogarde in "Sebastian."
12.20 am Close.

All IBA regions as London except at the following times:—

ANGLIA

1.25 pm Anglia News. 2.00 Houseparty. 2.25 Film: Eleanor and Franklin, starring Jane Alexander. 5.15 University Challenge. 6.00 About Anglia. 10.30 Film: Once Before I Die, starring Ursula Andress. 12.15 am Living and Growing. 12.45 Reflection.

ATV

12.30 pm George Hamilton IV. 1.20 ATV Newsdesk. 2.00 Film: The Art of *Crime*, starring Ron Liebman. 5.15 Survival. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.00 Doctors' Private Lives. 12.00 Something Different.

BORDER

1.20 pm Border News. 2.00 Houseparty. †2.25 Film: Sons and Lovers, starring Trevor Howard. 5.15 University Challenge. 6.00 Lookaround. 6.20 The Sound of . . . Vince Hill. 10.30 The New Avengers. 11.30 Question of Sex. 12.15 am Border News.

CHANNEL

1.20 pm Channel News. 2.00 Inside Business. 2.30 Film: How To Commit Marriage, with Bob Hope. 5.15 University Challenge. 6.00 Channel News. 6.10 Untamed World. 10.28 Channel News. 10.35 *Film.* Murderer's Row, with Dean Martin. 12.25 News and Weather in French.

GRAMPIAN

9.20 am First Thing 1.20 pm Grampian News. †2.00 Film: I Love You—Goodbye," starring Hope Lange. 3.20 George Hamilton IV. 3.50 The Royal Highland Show. 5.15 University Challenge. 6.00 Grampian Today. 6.05 Cover to Cover. 10.30 Reflections. †10.35 Film: Mirage, starring Gregory Peck. 12.30 am Grampian Headlines.

GRANADA

1.20 pm Cartoon. 2.00 Film: The Way West, with Kirk Douglas. 4.10 Cartoon. 5.10 Captain Nemo. 5.15 Crossroads. 6.00 Granada Reports. 6.30 The Jetsons. 10.30 Reports Politics. 11.00 Film: Clint Walker in Scream of the Wolf.

HTV

1.20 pm Report West. 1.25 Report Wales. 2.00 Survival. 2.30 The Family. 5.15 Captain Nemo. 5.20 Crossroads. 6.00 Report West. 6.22 Report Wales. *†10.35 Film: Young Dillinger with Nick* Adams.

HTV CYMRU/Wales—As HTV General Service except: 1.20-1.25 Penawdau Newyddion. 2.00-2.30 Hamdden. 6.00-6.22 Y Dydd. 8.30-9.00 Yr Wythnos.

HTV West—As HTV General Service except: 10.13-10.28 A Place to Live. 1.20-1.30 Report West. 6.22-7.00 Report West.

SCOTTISH

1.25 pm News and Road and Weather. 2.00 Film: They Call It Murder, starring Jim Hutton. 3.50 The Royal Highland Show. 5.15 Popeye. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Crimedesk. 6.30 Talking Scots. 10.30 The Sweeney. 11.30 A Question of Sex. 12.15 am Late Call.

SOUTHERN

1.20 pm Southern News. 2.25 Houseparty. †2.25 Film: Gilda, starring Rita Heyworth. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day by Day. 10.30 Southern News. 10.35 Invasion Road. 11.05 Tandarra. 12.00 Farm Progress.

ULSTER

1.20 pm Lunchtime. 2.00 Animated Special: Oliver Twist, Part 2. 2.50 The Friends of Man. 4.18 *Ulster* News Headlines. 5.15 Cartoon. 5.20 Crossroads. 6.00 Ulster News. 6.15 Family Matters. 6.30 The Mary Tyler Moore Show. 10.30 Church Report. 11.00 Police Woman. 11.55 Bedtime.

WESTWARD

12.27 pm Gus Honeybun. 1.20 Westward News. 2.00 Inside Business. 2.30 Film: How To Commit Marriage, starring Bob Hope. 5.15 University Challenge. 6.00 Westward Diary. 10.32 Westward News. 10.36 Film: Murderer's Row, starring Dean Martin. 12.25 am Faith for Life. 12.30 West Country Weather.

YORKSHIRE

1.20 pm Calendar News. 2.00 Film: Satan Never Sleeps, starring William Holden. 5.15 University Challenge. 6.00 Calendar. 10.30 The New Avengers. 11.30 A Question of Sex.

RADIO 1

(S) Stereophonic broadcast
‡ *Medium wave*

5.0 am As Radio 2. 6.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Tony Blackburn. 4.31 Paul Gambaccini. 7.00 Stayin' Alive. 8.00 Andy Peebles. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary; Weather. 5.02 Tony Brandon (S). 7.32 Terry Wogan (S). 10.03 Derek Hobson (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S). 2.30 Ray Moore (S). 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.50 John Dunn (S). 6.45 Sports Desk. 7.02 Music from the Movies (S). 7.30 Sports Desk. 7.33 Alan Dell. 9.02 Humphrey Lyttelton (S). 9.55 Sports Desk. 10.02 Pros and Cons. 10.30 Star Sound. 11.02 Brain Matthew. 12.00 News. 2.02-5.00 am You and the Night and the Music (S).

RADIO 3

‡6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Overture (S). 9.00 News. 9.05 This Week's Composer: Darius Milhaud (S). 10.00 Talking About Music (S). 10.30 Bridge and Britten (S). 11.15 Bournemouth Sinfonietta (S) Concert, part 1: Mozart, Falla, Josephs. 12.15 pm In Short. 12.25 Bournemouth Sinfonietta (S) part 2: Beethoven. 1.00 News. 1.05 BBC Lunchtime Concert (S) Mendelssohn. 2.00 Lynne Davis (S) Organ recital. 2.35 Matinee Musicale (S). 3.35 New Records (S). 4.55 Bandstand (S). 5.25 Homeward Bound (S). ‡5.45 News. ‡5.50 Homeward Bound. ‡6.15 At Home. 7.10 St. Louis Symphony Orchestra (S) Concert, part 1: Tchaikovsky. 7.50 The Pearl. 8.20 St. Louis Symphony Orchestra (S) part 2: Bruckner. 9.50 What the Papers Said. 10.00 Beethoven and Brahms. 10.45 Dvorak (S). Mass in D major. 11.25 Jazz in Britain (S) Errol Clarke Trio. 11.55-12.00 News.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day; 7.00, 8.00 Today's News; 7.30, 8.30 News Headlines; 7.45 Thought for the Day. 8.35 The Week *on 4.* 8.45 James Cameron. 9.00 News. 9.05 Start the Week. 10.00 News. 10.05 Wildlife. 10.30 Service. 10.45 Story. 11.00 The Countryside in Summer. 11.45 Listen With Mother. 12.00 News. 12.02 pm You and Yours. 12.27 Brain of Britain 1979 (S). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.05 Afternoon Theatre (S). 4.35 Story Time. 5.00 PM News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 What Ho! Jeeves. 7.00 News. 7.05 The Archers. 7.20 From Our Own Correspondent. 7.45 The Monday Play (S). 9.00 Reflections. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Conversation Piece. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 Black Londoners. 8.30 Breakthrough. 10.03 Late Night London. 12.00 As Radio 2. 12.05 am Question Time. From 1.05 Join Radio 2.

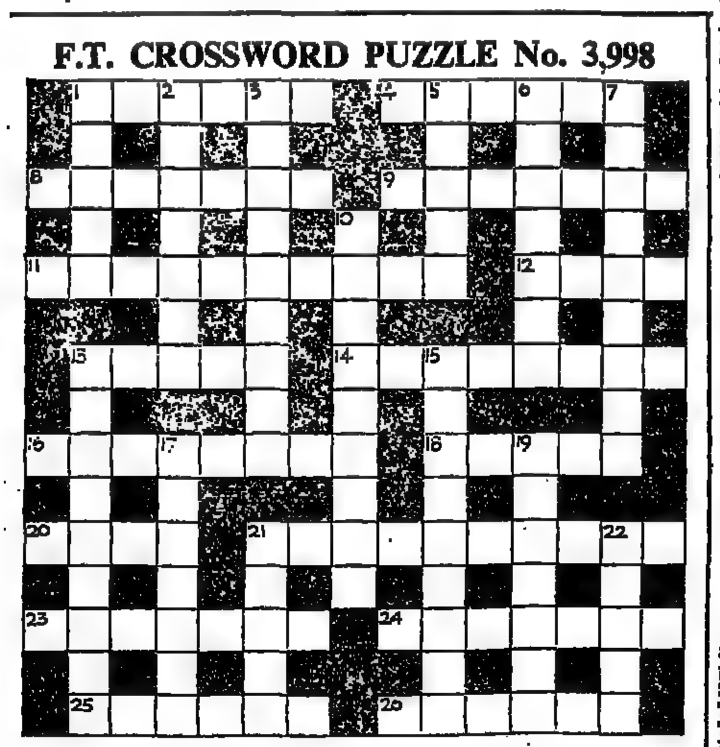
London Broadcasting

5.00 am Morning Music. 6.00 The AM Show. 10.00 Brian Hayes. 1.00-8.00 pm *LBC Reports* with George Gale at 3.00. 8.00 After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio

6.00 am Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Mike Allen (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne. 11.00 Tony Myatt's Late Show (S). 2.00 am Ian Davidson's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,998



ACROSS

1 Return the present to Heath as usual (6)
4 A taxi comes back with us for the count (6)
8 Part of the Baptist's diet (7)
9 Maxim turns to an old divan (7)
11 The Prince leads the fashion in American town (10)
12 Cast off in the outhouse (4)
13 Answer from one who is hanging on (5)
14 What the Roman wife said when her husband kept back some of his pay packet? (2, 6)
16 Sore place for the fashionable people (5, 3)
18 Upright in succession (2, 3)
20 Standard paving stone (4)
21 Gaming place in which you are bound to find the Clergy (10)
23 Vegetable for chaps in disorder (7)
24 German with song about is circumscribed (7)
25 Pacific island festival (6)
26 A note from a voice we hear (6)

DOWN

1 Throw about in a temper (5)
2 The gear for one who does not take sides (7)
3 Confidentially the French come in with intelligence (5, 4)
5 Wand for a graduate with weight (5)
6 What the meticulous do to a T (5, 2)
7 Whoever does this produces an "enfant gâté" (6, 3)
10 Care you have to shun on the square (9)
13 Food for those who make apologies (6, 3)
15 Time finds the prudent turning from left to right (5-4)
17 The park for rulers (7)
19 Oriental proposal causes some feeling (7)
21 It causes pain to see the hiding-place (5)
22 Many at the back are dismal (5)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

Queen's

Flowers for Algernon

by B. A. YOUNG

Having seen *Sweeney Todd* in New York a couple of days previously, I found the idea of a musical about surgery on a retarded boy as sweetly sentimental as *Rose Marie*. Certainly it is unconventional, but it contains an intrinsic advantage. Michael Crawford, potentially an outstanding young actor, has chosen to specialise in playing retarded boys or young men for years, and a musical with a retarded young man as the hero was just the thing.

So here is Michael Crawford as Charlie Gordon, aged 32, IQ 68, illiterate, tractable, everybody's friend. In the opposite corner, here is Algernon, a white mouse that has had surgical treatment from Dr. Strauss and Dr. Nemur and is now an intellectual genius by mouse standards. Such achievements must not be allowed to stay with mice. As Stevie Smith wrote: "A surgical operation is just the thing/To make everybody as happy as a king."

Through the offices of Alice Kinnian, a teacher at an ESM school, they find Charlie and operate on him, and before you know it he is racing through literature like J. D. Beresford's Hampdenshire Wonder. He reads *War and Peace* in one night and tells Miss Kinnian all the details of the plot. (The Hampdenshire Wonder shot through the Encyclopaedia Britannica and then asked "Is this all?").

This isn't a big showy musical. Peter Coe, the director, uses a revolve, but only for simple things. They are only 10 in the cast, apart from the nurses. Nearest to a big production number is a four-strong scene in the bakery, where Charlie discovers how to start the mixing machine. Most exciting of all is the song-and-dance with which Mr. Crawford performs a song called "Algernon." A white mouse runs up and down his sleeve as he dances, and even dances itself on the stage for a bit.

Mostly we just follow the little story with a song here and there to indicate Charlie's progress. In "Reading" he tells us about his books; in "Midnight Riding," which is very well sung by George Harris as one of the bakery staff, he dreams about how he imagines sex; in "Dream Safe with Me" about his long-lost mother; in "Now," he and Miss Kinnian declare their mutual love and decide to live together. As Miss Kinnian is Cheryl Kennedy, as sweet in her big round glasses as without them, he has chosen wisely.

Then one day Algernon fails to complete his maze test. Yes, we are in for an unhappy end. Charlie has a song about the maze, but it concerns himself, not the mouse. He has got very clever.

I thought it all charming, once Mr. Crawford was out of the moron stage. Charles Strouse still writes songs with a long legato line, and the company sing very nicely. Aubrey Woods and Ralph Nossek are decent cold-blooded doctors; Betty Benfield a motherly baker. "Good, but simplistic," Charlie says about *Jekyll and Hyde*. He might say it about *Flowers for Algernon* if he were sitting in the stalls. Simplistic isn't a bad thing for a musical to be.

Covent Garden

La Bohème

by ELIZABETH FORBES

A cast-change in the Covent Garden production of *La Bohème* on Thursday night brough the Spanish tenor Giacomo Aragall to the role of Rodolfo, a part he will sing for the four remaining performances of Puccini's opera. Mr. Aragall makes a romantic-looking and thoroughly believable poet. He is also convincing as a lover, and sings of his feelings for Mimi with tenderness and passion. Despite the emotional power behind his words, the phrasing remains impeccable, the enunciation precise and controlled.

This restraint coupled with conviction has an excellent effect on Kiri te Kanawa's Mimi; she now sings with just as much beauty and fullness of tone as she did at the start of the revival, but also with a tauter line and a deeper feeling for the text. Owing to the illness of Malcolm King, there is another, unscheduled cast-change: Richard Van Allan sings Colline. He makes a cheerful philosopher, scoring two splendid sixes—with poker-bat and bread-ball—for the Bohemian first eleven. In more serious mood, he bids goodbye to his coat with a wry but obvious affection.

Dramatically the performance is still dominated by the extraordinarily vulnerable Marcello of Thomas Allen. Though he may be a rotten painter, this Marcello has a genuinely artistic temperament. The production, so lovingly imagined by John Copley six years ago, has slipped yet one further notch from its pristine state; but at least Julia Trevelyan Oman's striking sets are still in fine condition. Productions of *La Bohème* get a lot of wear and tear.

Carnival grant increased

The Arts Council has decided to increase its grant to the Notting Hill Carnival by nearly 43 per cent from £14,000 last year. This year the council will give the carnival's two organising committees and 17 of its boards a total of £20,000 but it expects that the carnival organisers will also apply for funds to the Greater London Council, the Borough of Kensington and Chelsea and the Commission for Racial Equality as well as to commercial sponsors.

The council has also urged the two organising committees, the Carnival Development Committee and the Carnival Arts Committee to merge. It says this would greatly help it in any future consideration of funding the carnival.

London Galleries

Pleasures of the crawl

by DAVID PIPER

Lucretia by Guido Reni

The practice of gallery-crawling has points in common with church-crawling, and even (if you are lucky and chance, invited or uninvited, on an opening party) with pub-crawling. Perambulation, in and out the dealers' summer shows, through the auction rooms as they build up to their climactic sales of the year, around Bond Street and St. James's, and now in the purlieus of Sotheby's Pantechnicon in the Sloane Street region, is a most civilised occupation, developing serendipity, but not yet widely enough recognised. (It is, to boot, mostly free until you fall to temptation and start spending.) As with church crawling, the total ambience is to be savoured by addicts: not only the contents but the container, and of course the priests and acolytes.

At Agnew's (until July 27) relax in that hushed yet murmurous top gallery, all the more because this year I fear may be the last in which the nostalgic aura of its battered but splendid deep red wall covering will survive, before yielding to a new but I hope not positively hygienic replacement. In this show, at the far end, a noble trio: two Canalettos of the 1740s, huge with space and air and the marine Venetian light, flanking a superb Guido Reni of *Lucretia* about to plunge the knife in that massive monumental finality that only certain Italians of the *seicento* could encompass. Many of the early paintings here are from the Merton collection: Florentine tondos of the quality of the Mainardi *Virgin and Child* must be very scarce on the market now. The most impressive 15th century painting, however, is a French "primitive," ascribed now to Simon Marmion: an exquisitely tender and intimate depiction of the *Mass of St. Gregory*, the saint confronted by the vision of Christ, with an extraordinary display, still-life set out on a gold ground, of the instruments of the passion, itemised as if for inventory. There is also Rubens, a hunting sketch and a fine portrait, while the show is rich in lesser paintings of charm, very domesticatable, from that awkward, stiff-limbed but delectable late Sienese, Fungai, through to the elegant sweet late 18th century with the very inelegantly named van Gorp, an accomplished practioner in the manner of Boilly or Marguerite Gérard.

Across the road, Colnaghi. Colnaghi's aura changed a few years back, when they expanded before the maxim that small is beautiful had fully sunk home. It seems still to have to settle into its identity: the new room has a slightly daunting, constrained air, with its odd gallery poised across one end—one almost looks for the pulpit. Its current offerings, however, show little sign of constraint (*Old Master Paintings and Drawings*; not opening until tomorrow, but thence until August 3). Fine Italians: a sumptuous Bonifazio Veronese, the *Flight into Egypt*: a delicate little Garofalo; that haunting girl from Mentmore, by Bartolomeo Veneto, her almost plain, almost pudgy, young face looking out from her anonymity and the metallic green of her gorgeous apparel, looking dubiously aslant at you and the world and things in general. The major Italian painting though is doubtless the splendid, and splendidly preserved, Mannerist *Marriage of St. Catherine*, by Tibaldi, eloquent with elegant splayed hands in clear acid colours. But the range overall is impressive: the Carracci, fine examples with as bonus characteristic speculations as to which Carracci; Luca Giordano, in peak form, especially in one of those little preliminary but so bold studies, *bozzetti*, in which he could inject in such a small space such colossal movement and mass. The Dutch (Ruysdael, Berckheyde) are not neglected, nor the French: from a pastoral idyll, typical and good Gaspar Dughet, through a large Oudry (meticulous game still-life, including two dogs registering indignant horror as if rejecting unjust accusations of involvement in blood sports), and again at Agnew's, to late 18th century, here Marguerite Gerard herself, mistress of the classical profile with the tiptilted rococo nose, catching three debutante-style girls garlanding a statue of Cupid. Even Spanish, whose 18th century is generally lost to sight in this country: Melendez, a characteristic but superbly successful still-life, small but monumental with the presence of serried objects of such specific gravity that were those formidable lemons (clearly about to spill from the frame) to make contact with your foot, bones would be broken.

Paintings at Colnaghi's will be interspersed with drawings of comparable quality and range. They include what must be Palma Giovane's finest drawing, a spectacular study of captives in an architectural funerary setting (from the Rudolf collection, as several others here): one of the Annibale Carracci landscapes from the Ellesmere sale; a rare, tough, Pencz drawing; the famous Liotard study of the artist's son buttering his bread at breakfast, which recently broke an auction room sale price record and is indeed most covetable: a lyrically elegant Watteau figure study, and a no less charming Boucher *Curiosité Chinoise* in sanguine — and so up to a swashbuckling Chasseriau and a remarkable male nude by Géricault, unexpectedly delicate study for his not exactly delicate *Race of the Barberi Horses*.

Heim's aura is unmistakable, lush, and receding mysteriously to a corridor off which an inner shrine: the whole populated by seemingly rather over life-size busts, but vivid on their tall pedestals, all silent but alert as if interrupted in the middle of some witticism such as life. *Recent Acquisitions: French Paintings and Sculptures of the 17th and 18th Centuries* (till August 31) is familiar Heim terrain. It is rich in those aspects of French art in the appreciation of which the gallery has gradually been re-educating English taste. With what success is uncertain. There are, for example, two fine Largillierre female portraits, brilliant of their kind, technically of a most crisp baroque virtuosity, and yet I suspect sober English gentlemen glancing in from Jermyn Street might echo Addison's disapproval at the time of such French arty extravagances ("remarkable for their smiles and a certain smirking air. . . . The *Toujours Gai* appeared even in Judges, Bishops, and Privy Counsellors . . . every part of the Dress was in a Flutter, and endeavoured to distinguish itself above the rest").

The French mastery of the artifice of the portrait bust, especially in terracotta perhaps, must however surely once again be compelling attention beyond that of the specialists. Of these there are fine examples: a wonderfully veracious Houdon plaster; or Louis XV, aged six, inhabiting his precocious sophistication with assured poise, in a marble by Coysevox. There are also interesting Caravaggesque paintings for the specialists and exotic academic rarities, and again here a work by that master of the most delicate painterly and atmospheric sensibility, Sebastian Bourdon. He tends to get shortish shrift in summary accounts by art historians, and to be misleadingly or unfairly represented in museums. This is because his "gallery scale" paintings tend indeed to be indifferent, and to read like not so good, or soft if elegant, Poussin; but in his early work, and on a small scale, what a seductive painter, what a colourist! He is in fact in all three shows mentioned here. At Heim's, a shadowy male portrait, from the time Bourdon was working at Christina's court in Sweden, of most melancholy brooding questioning character. At Colnaghi, an exercise on a rare subject, almost genre (*Laban searching the belongings of Jacob*: one trusts the proprietor of Colnaghi's, Mr. Jacob Rothschild, has reserved it far himself). And at Agnew's, *St. Ignatius* rapt in a vision of Madonna and Child of a dreamy smoky colouristic seductiveness to which any saint, in this world or out of it, would be fortunate to have the opportunity to respond.

Holland Festival in the 20s

by MAX LOPPERT

One of several themes underlying the programme-building of the 1979 Holland Festival has been the art of the 1920s; and one of the more intriguing manifestations of the theme promised — in advance of the event itself—to be the excursion into the Russian music of the period. As Boris Schwarz's invaluable study of music and musical life in Soviet Russia puts it: "For a time (after the Revolution), futurism in art . . . seemed destined to become the official art of revolutionary Russia." Although in the 20s the various apostles of modernism had already to contend with the conservative forces that were shortly to triumph so destructively, for the most important musical minds of the day it was a time of untrammelled experiment.

In the recital given by the Australian pianist Geoffrey Douglas Madge, music by four composers was played, three of whom were to suffer in the Stalin era for their earlier avant-gardism. Shostakovich's travails have been fully documented. Far less is known of the fate of Nikolay Rozlavetz, pioneer of atonality in Russia, except that in the late 1930s he disappeared from public view. (Western speculation that he ended his days in a labour camp is contradicted, according to Schwarz, by a private Russian source of information giving his date of death as August 1944, and the place as Moscow.) Alexander Mossolov, the most notorious example of whose "machine music," The Iron Foundry, gained an international audience, was in 1936 expelled from the Composers' Union after allegations of drunkenness and riotous behaviour. *The fourth composer* of the group, Arthur Lourié, had left Russia in 1921, following bitter struggles within the Ministry of Public Instruction, where he was Lunacharsky's chief assistant and director of music.

The age has been broadly misrepresented in official Soviet history, and these composers and others of like tendencies have been crudely vilified; so a proportional quantity of sympathetic attention was the only possible response to Mr. Madge's programme. But if the experience proved something of a surprise, that was because of the wholly unexpected mildness, the fin de siecle lassitude, the non-radicalism (to the "ears" of hindsight) that characterised so much of the music heard. In Mossolov's Second Sonata (1923-24), particularly in its Finale, there was a taste of the awaited tumult, though the crowded, swirling textures appeared to add up to nothing more startling or cogent than Soviet Sorabji.

Common to Rozlavetz's Fifth Sonata (1923-24) and his *Deux Poèmes* (1920), on the other hand, to Lourié's *Synthèses* and Mossolov's *Deux Nocturnes* (1925-26)—the prevalence of French titles is not without significance—was a kind of vapourised Skyrabinism, lacking in the incense-laden exoticism of the model, and stretched beyond the bounds of vitality inherent in the repetitive employment of short-winded atonal sequences. Perhaps a Horovitz might have brought the second-half chain of short pieces to glowing life; in Mr. Madge's studious but unatmospheric readings on a dull-toned instrument, the stretch became both tedious and confusing—after a while it was hard to tell one composer's atonal wisps from another's. By Shostakovich's First Sonata (1926) at the end of the recital, with its fragments of motivic activity jagged and steel-tipped and its rhythms frenetically beaten out, there seemed to be pointed the moral that genius not only produces the most original and interesting music, but also provides the most informative guide to the spirit of an age.

If the recital offered its share of *mauvais quarts d'heure*, it was nevertheless a serious and enlightening experience. Tedium through unrelenting 1920s levity is something else, and something worse. The programme of music-theatre, staged at the Amsterdam Carré Theatre by Eddy Habbema, conducted by Reinbert de Leeuw, designed by Rudolf Corens, and choreographed by Jochen Ulrich, contained two of the Milhaud "opéras-minutes," *L'Abandon d'Ariane* and *La Délivrance de Thésée*, Satie's short play *Le Piège de Méduse* (done in Dutch translation, with the original musical interludes) and his "ballet instantanéiste" *Relâche*, and, in the middle, Hindemith's *Hin und Zurück*.

The last-listed, toughly and wittily logical in its transformation of the concept of crab-canon into a dramatic property, was the exception to the rule of Apollinaire's *nouveau esprit* as filtered through an aura of Cocteau-esque chic. The entire programme was traduced by the hopelessly galumphing style, farcical-jolly and imprecise in equal measure, of the Dutch actors and singers, and (in *Relâche*) of the dancing of the Knete Kompanie Köln. If the Milhaud pieces are worth reviving at all, which is doubtful, they want rather more to their production than the optimistic assumption that sigarette holders, feathers, and green eyeshadow are innately and irresistably amusing. According to Picabia, scenarist and designer of the original *Relâche*, which was here given an absolutely literal recreation, the work, "like Infinity, has no friends." It is unlikely to have made any after this dim piece of archaeology, lumberingly danced and played. René Clair's marvellous filmed "Entr'acte," in which the rhythms of the cinematic action and those of Saties musical accompaniment engage and disengage so hypnotically, was the single reminder, in an evening notable for its undernourishment of all the sense, that there was more to Dada and surrealism than a prolonged costume party in 20s fancy dress.

Warehouse

Piaf

by B. A. YOUNG

Piaf, enthusiastically reviewed by Michael Coveney at the Stratford Other Place, has come to the Warehouse, and it would be crazy not to go and see it.

The semi-documentary play by Pam Gems serves to show us the rough outline of Piaf's life as she climbed from the gutter to the top of the charts and slid back again. The private lives of singers are of no consequence, and Piaf's affaires, drink and drug problems, motor accidents, matter no more to history than Caruso's arrest in Central Park for bottom-pinching. All the same, how lucky we are to have, at last, a playwright who cares about writing bravura parts for women.

For Piaf in this play is a bravura part *par excellence*, and Jane Lapotaire's performance in it is something to be treasured. She does not give a photographic realisation of Piaf; she is the spirit of Piaf in her shapeless black dress and old slippers, her mouth full of filthy language and incomparable song. Miss Lapotaire can make the songs almost as exciting as Piaf did herself.

There is telling work in supporting parts by Zoe Wanamaker, Ian Charleson, Michael Bertenshaw, Allan Henrick and others, but the 30 characters they depict matter only in so far as they affect Piaf, and under Howard Davies's direction they are played unselfishly, though never fully.

There is no real scenery, only a built-up stage with a cut-out at the back to house the two musicians who make characteristic Parisian sounds on their accordion and piano. Miss Lapotaire is on this stage for virtually the whole evening, growing visibly older and more drawn as if by a conscious effort of will. Even though Pam Gems is more amused by the grosser bodily functions than I am, and indicates Piaf's coarse speech by a plentiful use of decorative four-letter words, I urge the public of all brows to clamour at the door of this little theatre until they can get for *Piaf*.

Tom Stoppard wins German award

Tom Stoppard was awarded the annual Shakespeare Prize by the FVS Foundation—the leading West German literary institution in Hamburg on Friday. The prize of DM 25,000 (about £7,000) and a stipendiary of DM 7,200 was presented to Mr. Stoppard in Hamburg City Hall by Professor Rudolf Haas, of Hamburg University.

CRICKET BY TREVOR BAILEY

England v West Indies final likely

THE TWO matches with any real significance in the final round of the group section of the Prudential World Cup ended predictably on Saturday.

The West Indies swept aside a spirited challenge from New Zealand with rather more difficulty than had been expected, and England scraped home against Pakistan by 14 runs.

Form suggests that after the semi-finals on Wednesday, an England v. West Indies final at Lord's next Saturday, but the Kiwis scored more than 200 runs against Lloyd's pace battery and England will have difficulty in acquiring more than 210, unless Gooch or Gower produce a major innings.

Pakistan, with Imran Khan at number nine possess more class batsman and greater depth than any team in the competition; but many of them looked technically ill-equipped and physically apprehensive against Hendrick and Botham.

The West Indies must surely relish the prospect of facing an attack comprising three occasional bowlers and a new ball pair inclined to be erratic.

The England-Pakistan game at Headingley was full of excitement, with fortunes continually fluctuating. The end saw Boycott and Gooch sharing the ball against the visitors' last pair, because the frontline pacemen had used up their permitted numbers of overs.

It was essentially a clash between the England bowlers and the Pakistan batsmen on a pitch ideally suited to seam.

After Asif, with his limited attack, had restricted England to 165—9, Hendrick and Botham ripped their opponents' powerful batting line-up in a few dramatic overs. They crashed from the contentment of 27—0 to the despair of 34—6.

They were rescued by Asif, who showed his colleagues that batting was not impossible, merely difficult.

If the second major turning point of this absorbing contest was Asif's inspired counter-attack, the first was the somewhat improbable stand between Willis and Taylor. It took the total from 118 for 8 to 161 for 9, and a final score of 165 for 9, which gave the England bowlers a reasonable target under existing conditions.

However, nothing can conceal the frailty of England's batting. If Sarfraz had been fit, England would have lost comfortably.

The Brearley and Boycott opening partnership was not conspicuously successful in Australia, and appears even less suited to the special demands of limited-overs cricket; although one has not been able to judge on the three games played so far, because an early collapse has always occurred.

Of the three other pure batsmen, Gooch is enjoying his best season, and close to establishing himself as an international-class player: Randall remains alarmingly unpredictable: and the talented Gower has not yet been at his best. The result is a fragile batting quintet.

One also could not help thinking of Knott, when Taylor was restricted to a supporting role in his partnership with Willis, and again when he put down an easy chance behind the stumps, after an unhappy match against the Australians.

Although the cricket highlight of this week should be the Prudentail Final, the most important event is the special meeting of the ICC at Lord's today to consider the implications of the Australian Board's compromise with Kerry Packer.

Australia wish to refill their empty coffers quickly, and want a triangular confrontation between Australia with their World Series Cricket players, the West Indies and England this winter.

It means that India, who have less appeal and were originally invited there as a poor answer to WSC, have been asked to delay their visit.

Australia will now require far more international cricket than in the past. This will result in more, probably too much, cricket for the world's best players—who are unlikely to object, provided the financial incentives are sufficiently attractive.

GOLF · BY BEN WRIGHT IN TOLEDO, OHIO

Irwin battles for U.S. Open title

HALE IRWIN and Tom Weiskopf went out last in the final round of the 79th U.S. Open Championship at Inverness Club yesterday afternoon for a torrid duel in the sun.

Irwin (74, 68, 67—209), the 1974 U.S. Open Champion, at present had a three-stroke lead over Weiskopf, (71, 74, 67—212), who won the 1973 British Open at Troon.

The threat of thunderstorms could be a significant factor in the climax. Irwin wears spectacles and hates using headgear, but it is doubtful whether the temperamental Weiskopf can give him a three-stroke start, whatever the weather.

Saturday's important third round quickly became a three-cornered contest among Irwin, Weiskopf and Gerry Pate, the last two playing together. Larry Nelson, who tied for the lead with Purtzer late on Friday evening, came apart on the outward half. He took 39 shots and eventually finished on 215 alongside Lee Elder, who scored 69 yesterday. Elder has the chance of becoming the only black golfer to win this most important title.

Bill Rogers, who started in 4th place on Saturday, also destroyed his chances on the outward half. He was due to start alongside David Graham of Australia and Bob Gilder on 216. Purtzer also had trouble on the outward half as he and Nelson, in the final pairing, sprayed their golf balls all over the district.

So it was Irwin, out in 34, and Weiskopf and Pate, both out in 33, who started to steal the spotlight. Irwin made the first move, with birdies at the 11th and 12th holes, to spring suddenly two shots clear of Purtzer. Weiskopf struck his first significant blow with a glorious four-iron shot 8 ft from 18 ins from the hole. His eagle Irwin tangled with the right-out of the hole after single putts liantly than his leading rival by first time in the round.

Irwin, playing immediately behind him, had noted that Weiskopf was picking the ball out of thehole after single putts—he had seven in all—and determined to make an eagle three at the same hole. This he accomplished even more brilliantly than his leading rival bq playing a glorious two-iron shot, 18 in from the hole. His eagle three gave him a four-stroke advantage over Weiskopf.

Both men dropped shots to par in turn at the 14th hole, and the 15th hole became decisive in preventing Irwin splitting away from his field. Weiskopf made a birdie from 8 ft, while his partner Pate tangled with trees on right and left to drop a shot. He went two behind Weiskopf. Then Irwin tangled with the right hand rough and dropped a shot to par, so his lead became only two.

The 16th hole was uneventful until Irwin got in a huge 30ft birdie putt at the 17th. This gave him his three-stroke lead. The 18th was halved in par four by the three major protagonists. Nelson and Purtzer were almost ignored, finishing as scrappily as they had started.

There were fireworks on Saturday from both Gary Player, who holed in one a six-iron shot at the third hole, and Andy Bean, who holed his second shot with a seven-iron at the 420yd 9th hole. But Player destroyed his chances with a most extraordinary start of 5, 5, 1, 5. Bean was similarly unable to capitalise on his remarkable stroke of fortune by only matching par of 71, while Player had a sorry finish for a round of 72. Bean, at 217, is in a group with Bobby Walzel, Bob Smith and Al Geiberger, while Player is alongside Ben Crenshaw, Calvin Peete and Lanny Wadkins on 218.

Warning over 'illegal' lottery accounts

FINANCIAL TIMES REPORTER

A BLUNT WARNING to lottery organisers who submit illegal accounts to the Gaming Board is given today by Lord Allen of Abbeydale, chairman of the Board.

A significant proportion of organisers exceeded the permitted level for prizes and expenses and the Board might revoke lottery registrations in future, he said.

All town hall lotteries, and society schemes with a turnover of more than £5,000 have to be registered and submit skeleton accounts to the Board.

A total of 374 local authorities and 408 societies had registered lotteries by the end of 1978, but about 25 per cent were faulty in one way or another, "some of them really quite trivial." In other cases, however, the Board had written to the promoters for further explanations of their accounts.

The Board had power to revoke registration. Lord Allen said: "We have made it quite clear we are prepared to revoke if the circumstances warrant it.

"We have got the power and are quite prepared to use it, although we hope we won't have to. We are watching the situation."

The law, he said, should be tightened up. The Board had made representations to the Government. It would like to see greater ticket security, a time limit on the submission of accounts, and control "on the employment of agents."

Lord Allen was speaking after publication of the Board's annual report last week,

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Iran strains begin to tell

IT IS not just the western press that has been wondering out loud whether the people of Iran have in Ayatollah Khomeini one despot in place of another. Earlier this month, another Ayatollah, Mahmoud Taleghani, much respected and with links with the left, suggested publicly that the best place for the clergy was the mosque where they could help the people most.

A moderate political party, the National Democratic Front, which traces its lineage back to Dr. Mossadegh, has also criticised Khomeini for excessive interference in the affairs of the country. And now Khomeini is in open disagreement with Ayatollah Shariat-Madari, Iran's other leading religious leader, over the draft constitution.

Displeasure

Khomeini was bound to have had considerable problems. The disruption involved in ousting the Shah has in lingered on. The armed forces were shattered and security taken over by *ad hoc* revolutionary committees. As a result of the comparative impotence of these committees in dealing with regional revolts, the army is now expressing its displeasure.

The economy was brought to a near standstill by the virtual halting of oil production. Socially, the Iranian people needed a period of time in which to settle down after the euphoria and hysteria of ending the Pahlavi dynasty and bringing Khomeini to power.

Mr. Newton says that, as an-

Furthermore, most groups with special interests, whether ideological or ethnic, were prepared to submerge their differences in the interests of toppling the Shah. But once he was away, the political parties and such minorities as the Kurds and the Arabs, put in their claims. Khomeini still has, through the call of Islam, political domination. But the Government has been hard put to it to keep control of minorities seeking greater autonomy. Unconvincingly, it has been putting the blame on the Soviet Union, the U.S. and Iraq.

The main reason for this continuing lack of control is that there is no real central government, from whom executive decisions can consistently be obtained. Mr. Mehdi Bazargan is Prime Minister by virtue of his appointment by Khomeini. He has a Cabinet, which suggests a structure capable of running the country. But the fact is that authority still rests with revolutionary committees or stems from the frequently opaque pronouncements made by Khomeini in Qom.

His judgments are subject to two main influences. The first is clearly Islam, and because of it and his personal standing his support, although apparently waning, is still paramount in the country. The second is related to his clear feeling that everything the Shah did must be undone. The wisdom of this is questionable, for not everything done in the Pahlavi era was inherently evil, nor can it be ignored in the construction of the Islamic Republic.

There are signs that Khomeini is *becoming* aware that to run a country is different from being the symbol of opposition to the Shah and bringing about his removal. Opposition is being increasingly put down to conspiracy, so that even those demanding a constituent assembly to draft the constitution have *been labelled plotters*. Symptoms of autocracy are emerging. The draft press law has penalties of imprisonment for insulting the leader of the religious community. A published draft of the constitution made no reference to regional autonomy or the principle of *self-rule*.

Surcharges

Finally there is the economy. Iran has been leading the field in pressing for surcharges on OPEC prices and has now evolved a fairly coherent production policy of about 3.2m barrels/day. It provides a starting point for calculating income, and this in turn opens the way to establishing priorities.

But at present, several issues are pressing. Unemployment is very high. There are something like £19bn worth of major economic projects to be evaluated for dropping, or modification. Some guidance is needed, for example, as to how nationalisation of the banks is to work out in practice.

A comprehensive revolution such as took place in Iran can never work itself out overnight. But the quantity of unfinished business which is piling up in front of Ayatollah Khomeini indicates how profound are the difficulties in running Iran's revolution.

The paradox of Labour

THE FUTURE of the Labour Party depends very much on the performance of the Tories in office. In all foreseeable circumstances, the Party is facing a good four years in opposition and has plenty of time to work out its policies. What those policies are, however, seems likely to be at least partly conditioned by how well or badly the Tories do.

For example, if a Tory Government succeeds in bringing Britain to terms with membership of the European Community, Europe — the subject which has divided the Labour Party as much as any other over the last few years—will be a dead issue by the time of the next election. Again, if the Tories succeed in establishing a flourishing market economy, there would be little point in Labour campaigning for a return to massive state intervention. Not least, if the Tories show they can work with the unions, Labour will have to re-examine its claim to have a special relationship in this direction.

Mr. Callaghan

The elections to the "shadow" Cabinet last week should be seen in this light. On the face of it the results are a considerable victory for the moderates. Of the 12 candidates elected, nine belong either to the Centre or the Right of the Party. The only three Left-wingers who made it are Mr. John Silkin, Mr. Stanley Orme, and Mr. Albert Booth. Two other Left-wingers, Mr. Eric Heffer and Mr. Neil Kinnock, failed to be elected despite belonging to the Party's National Executive.

Yet as a guide to the future leadership the elections are of only limited value. The crucial question is how long Mr. James Callaghan chooses to remain. If he were to resign shortly, there seems little doubt that he would be succeeded by Mr. Denis Healey, who came top of the list last week. On the more likely assumption, however, that he stays for a year or two, the succession is much more open. It is in that case that developments in the country at large would come into play.

The leading candidate of the Left at present is clearly Mr. John Silkin, who emerged as a good second to Mr. Healey. It is true that he was not measured against another Left-winger, Mr. Anthony Wedgwood Benn, who chose not to stand. But in the Parliamentary Party at least it has been Mr. Silkin, not Mr. Benn, who has been making the running. Mr. Silkin is a tough and clever man who made his name as an anti-Common Market Minister of Agriculture in the last government. He will now be able to widen his experience as shadow spokesman for industry.

Yet it is with the anti-Common Market cause that he is most associated. His chances of the succession therefore tend to depend on what happens to the European issue. If it dies, his chances will presumably fade. If it remains alive, he must be a serious candidate.

Mr. Peter Shore, who came third, faces a similar problem. Mr. Shore is generally Right wing on economic questions but is a leading anti-Marketeer; hence a certain popularity with the Left. As the new shadow spokesman on foreign affairs, he now has to decide whether or not to temper his anti-Community views. It would clearly be easier if the Tories were to settle matters for him by resolving the outstanding issues between Britian and her Community partners.

Humane

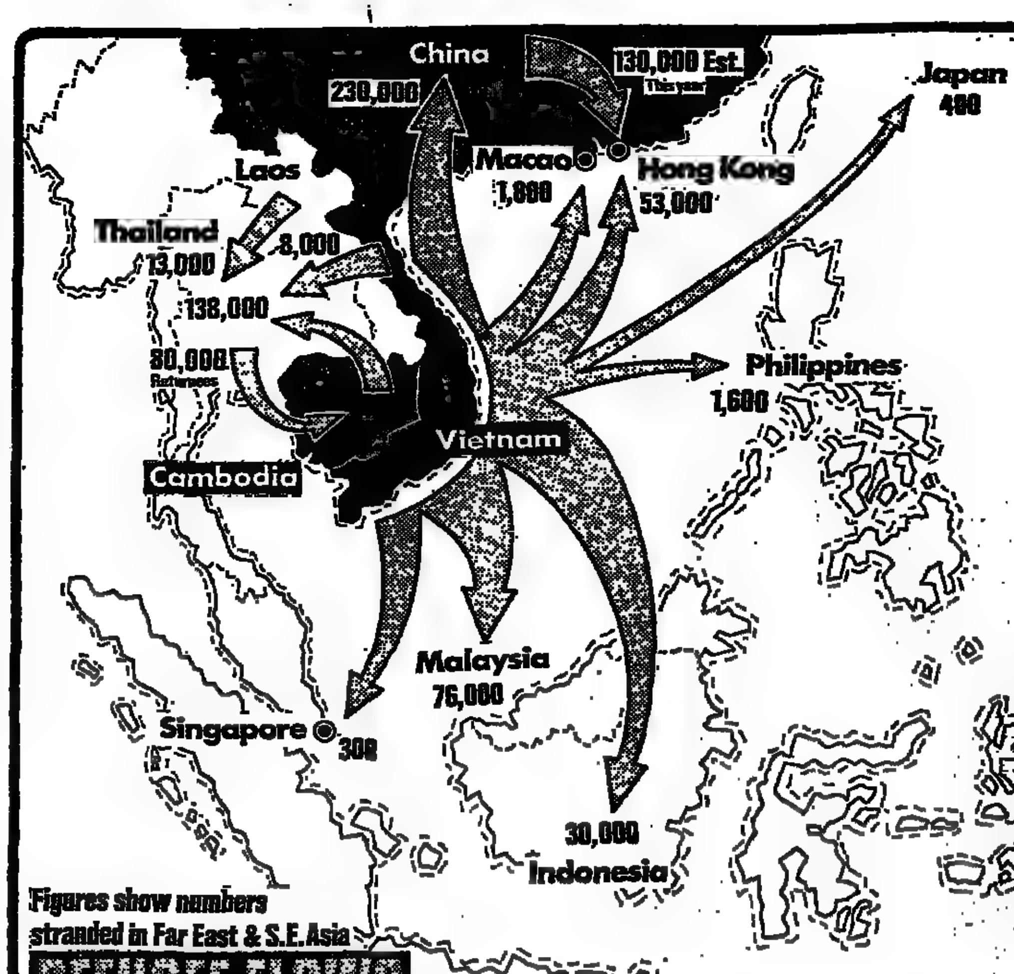
It is also plain that the Labour Party faces a prolonged internal debate over its economic policies and its relations with the trade unions. The presence of so many moderates in the Shadow Cabinet, plus the fact that Mrs. Shirley Williams intends to play a full part in the debate despite being temporarily out of the House of Commons, suggest that there is unlikely to be any great swing to the Left. But here again much will depend on what happens in the country.

If Tory policies are seen to fail, it is almost inevitable that Labour will come down in favour of more State intervention, not less. Equally, if the Tories make a mess of relations with the unions, Labour is likely to be pushed into an ever closer alliance with the union movement, and the experience of the last government is that such alliances are not dominated by the Parliamentary Party.

We are left, therefore, with a paradox. Many leading Labour politicians probably would like to develop a British form of social democracy that is humane, yet efficient. They will only be able to do so, however, if Tory policies work.

Misery and meaning of the boat people

By PHILIP BOWRING in Hongkong and DAVID TONGE in London



Figures show numbers stranded in Far East & S.E.Asia

REFUGEE FLOWS

Figures exclude approximately 300,000 refugees from Vietnam since 1975, resettled elsewhere

THE BALANCE of racial and political tension in South East Asia has long been precarious. Now the sordid traffic in human lives from Vietnam is beginning to upset it. The approximately 1.1m ethnic Chinese still in Vietnam are immediately threatened, but the world at large is involved.

Malaysia's announcement that it plans to tow the 76,000 boat people on its shores out to sea show how intolerable the situation has become for the nations in the area. The present pressure is on Hong Kong, but with one of the world's flash points in question few countries *can afford to ignore this issue*.

Refugees have for decades been flooding from China into Hong Kong. This year alone an estimated 130,000 immigrants have settled in the overcrowded colony so far. Trying to stop those without Chinese exit permits has put the colony's *security forces at full stretch*; additional British troops may be sent. Asking Peking to stem the flow has only met with a partial response. But these immigrants are very different from the refugees from Indochina.

Mostly young men, those *coming from China are quickly* able to merge into the local workforce of Hong Kong. Few are fleeing for their lives. But those who have been manning the pathetic fleet from Vietnam had little choice.

The tales of the boat people are appalling. One has described how those on his boat were reduced to cannibalism. Thirst, like starvation, travels in every shipload.

One boatload of refugees who arrived in Hong Kong described how the Vietnamese authorities stuffed them into shelf-like bunks on their boat. When all available space was full the authorities ripped out the drinking water system to make room for yet more refugees. Several babies died on the journey because their mothers' milk dried up.

The picture painted by the *refugees is consistent*. In Vietnam ethnic Chinese have been dismissed from government employment, forbidden to run private businesses and banned from 15 specified occupations. Their schools have been closed. They claim that their children have not been allowed to attend Vietnamese schools, and that they are not allowed to associate with other Vietnamese.

They allege harassment by the authorities, including being obliged to choose either between going to one of the harsh agricultural camps in the New Economic Zones, their property being confiscated, or leaving the country. They insist that the security authorities are involved at all stages of their departure, whether in negotiating transport, checking the passenger manifest or escorting passenger boats out of the harbours.

Though Vietnam has recently reached an agreement with the UN High Commission for Regugees (UNHCR) to ensure the "orderly" departure of refugees, all the indications are that the flow is increasing.

The Vietnamese deny all this. A spokesman in Paris, Mr. Tran Thien Can, says that a campaign organised by the Chinese embassy in Hanoi was "the essential reason" for the exodus of the Hua Vietnamese, as the ethnic Chinese are called. The Chinese were also partly responsible for organising the departure of other Vietnamese following the conquest of South Vietnam, he said. This campaign was helped by economic difficulties in Vietnam and the fact that "a certain number of people" were unable to adapt to the new conditions.

These denials are less convincing that the accusation made by both the Thai Chief of Staff, General Saiyud Kerdphol, and the Peking People's Daily, that the Vietnamese are using the sea in much the same way as Hitler used the gas chambers. Further, they are profiting from the persecution of the Hua by collecting a bullion head tax equivalent of up to £2,000 per refugee to replenish their treasury. People are now estimated to have overtaken coal as the main source of foreign export earnings.

For all the deprivation, the loss of life in the passage of 500 miles and more from northern Vietnam along the coast to Hong Kong is relatively low—perhaps one in 20. But the death toll on the route to the south is appalling. Rough seas at the head of the Gulf of Thailand and the depradations piracy practiced by well-armed Thai fishermen in fast boats exact a sickening price. Up to 75 per cent of the refugees perish according to some officials, the more usual estimate being that one in two refugees never arrive. Even when they do, they may be shot *at or, as is increasingly happen*ing, towed back to sea—sometimes with heavy immediate loss of life.

Capitalist society

Recent refugees in Hong Kong, have not been gold and jewellery laden traders from Cholon, the Chinese quarter of Ho Chi Minh City, who gained a reputation for seeking to buy and bribe their way back to capitalist society. Many have been workers, fishermen and farmers from the north—people who had lived 25 years under Hanoi socialism.

Other recent arrivals have included a number of ethnic Vietnamese whom the authorities in Vientnam have apparently accepted as incorrigible. Some had paid large sums for documents wrongly classifying them as ethnic Chinese.

But the main attack is directed against Chinese people in Vietnam. This weekend the Chinese Foreign Ministry said that Hanoi was inciting interracial animosity, making cannon fodder of its young, and "bleeding people white."

Even before China launched its "self-defensive counter attack" on Vietnam in February it had closed the land border in order to stop Vietnam herding refugees across it. Though it seems that the Chinese population of North Vietnam is now little over 150,000, the switch of the prevailing winds from the north to the west has increased the flow along the shores of China. There have *been tales of refugee boats being* met with shots. But most of the boat people are given fuel, food and water to continue their journey after a few days. In general they want to reach not China, but the capitalist West.

Hong Kong has adopted a humane approach but elsewhere the picture is bleak. *Macao has* announced a new refugee camp for 1,800 people but has always pushed the boat people on. Taiwan has followed a hard line, though the Philippines has been more accommodating. The main pressure has been on the countries west and south of Vietnam. The situation there is tragic. The direction of the winds usually pushes refugees south to Malaysia and Singapore. The latter has been bolted its shores. "If you don't have calouses on your heart you will bleed to death," its Prime Miinster, Mr. Lee Kwan Yew, says.

While Singapore's policy has ben dictated mainly by fears of overcrowding, in Malaysia and Indonesia racial overtones seem paramount.

In Malaysia racial riots in 1969 reflected the animosity of the Malays against the Chinese minority which accounts for about one-third of the country's population. The Malaysian authorities recently had few hesitations about accepting 70,000 Moslem refugees from the Philippines. Last week they announced they would accept *3,000 Moslems from Kampuchea*.

But even before Friday's announcement by Deputy Datuk Mahathir Mohammad, they were towing an average of one refuguee boat in five out to sea: in May the rate was over two in three. One of the aims is to keep up the pressure on the international community: more refugees arriving in Malaysia than at most other countries of first asylum are now being found homes elsewhere.

Eyewitnesses report that many of the beached and battered refugee boats on Malaysia's east coast are being patched up for departure. Pressures within Malaysia are intense. The resident Chinese apparently fear a disturbance of the present precarious racial balance. For the Malays it is a "national" issue. Sir Murray Maclehose, the Governor of Hong Kong, recalled last week that, years ago, when he asked a Malaysian what their immigration policy was the reply was "the kris" — a long-bladed Malay knife.

Malaysia's policies are affecting gneighbouring Indonesia. Being farther from the shores of Vietnam, the long coast line of Indonesia was for a long time relatively unaffected. But in May alone over 15,000 boat people arrived—almost all of them towed by the Malaysians to Anambas islands north east of Singapore. In 1965, at least 300,000 Chinese living in Indonesia were massacred when President Sukarno was overthrown there. Indonesia has no love for the Chinese. It too has just announced a closed-door policy. In conjunction with Malaysia and Thailand it intends to organise naval patrols.

Thailand's situation is quite different. There is little local animosity towards the ethnic Chinese but the country has dire refugee problems of its own. Over the years over 135,000 (in addition to the recent 13,000 marked on the accompanying map) Laotians have fled into the north of the country. While they have been largely tolerated, there has been much more concern over a similar number of refugees from the fighting and famine in Kampuchea.

Since some of the refugees were soldiers supporting the Pol Pot regime; the authorities fear that allowing them to stay on Thai soil might cause Vietnamese troops to pursue them across the border. There is an equal reluctance to accept the ethnic Chinese whom the Vietnamese are allowing to leave. Around 80,000 people have already been herded back across the border to a land riven by war and empty of food.

Last September and again last month Vietnam offered a non-agression pact to the five members of the Association of South East Asian Nations (ASEAN)—Indonesia, Malaysia, the Philippines, Singapore and Thailand. ASEAN has shown little interest in this gesture. Instead it seems to fear that the racial policies of the Vietnamese, undoubtedly carried out mainly for narrow local reasons, are intended to upset the *whole* area. *At the beginning* of July the ASEAN Foreign Ministers are to meet in Bali, with Mr. Cyrus Vance, the U.S. Secretary of State, expected to attend.

Diplomats in Bangkok say that ASEAN has long been quietly seeking an international conference on the refugee situation and that there appears to be some tacit co-ordination with China. But both had wanted a western nation to act as godparent to this conference—as Mrs. Margaret Thatcher, the British Prime Minister, now has.

With some 380,000 refugees in camps in South East Asia it is estimated that, even if the refugee flow were to stop today, at the current rate it would take three years to resettle them. Last December's conference sponsored by the United High Commissioner for Refugees, led to the number of places for settlement being increased from 50,000 to 125,000.

The two western powers most involved in the wars of Indochina have so far accepted the bulk of the approximately 300,000 refugees who have been resettled outside the area since the fall of Saigon in 1975. France has taken 48,800 and the U.S. 217,000. Now the Americans are taking refugees at the rate of 7,000 a month, mostly from the countries adopting the toughest measures towards the refugees. Many of the leaders of the west believe that such moral obligations as they had to the ancien regime in Indochina are now discharged. There is less sympathy for the argument that the brutalities of war are responsible for the brutalities of post-war Vietnam—and that the west thus should accept that the problem is to some extent of its own making.

Post-war Vietnam has never been fully accepted by the west into the community of nations. Critics of western policy have long argued that this rejection has forced Hanoi to lean heavily on the Soviet Union—forcing the west in turn to rely on the Soviet Union as its intermediary with Vietnam. Hanoi's isolation adds to the difficulty the West has in trying to help with the refugee problem at its source, in Vietnam itself.

In the meantime the refugee flow and the resulting strains continue to mount, as does the realisation in countries outside the area that they, too, will have to adjust to the upheaval.

MEN AND MATTERS

Success on several planes

Victory came as something of a surprise, even an embarrassment, to the small, if fast-growing, charter operator Air Ecosse. Without intending anything of the kind, the two-year-old company last week ousted British Airways from the prime Aberdeen-Wick-Shetland route—apparently the first time BA has had a licence revoked on an internal route.

Air Ecosse's finance director Paul Mulligan, 31, tells me this humiliation was not deliberate: "We actually approached them and asked if we could arrange something for the people who were upset. We wanted to work something out without this point of conflict. We can do without points of conflict. Anyway, they said no . . . Their problem was one of over-confidence." We didn't want to make history."

Those who complained about BA's service on the route included the UK Atomic Energy Authority, with its reactor at Caithness, and the Highlands and Islands Development Board.

Air Ecosse's advantage is that it has bought 18-seater Brazilian-built Bandeirante planes—effectively, small airliners—which are ideal for Scottish conditions, being capable of three flights a day at a fuel cost equivalent to one trip in a Viscount or a 748.

Part of the London-based Fairflight group, Air Ecosse expects to turn over £4m this year compared to £1m a year ago. Mulligan sees no end to it: "A lot of people don't realise Aberdeen has become like Houston."

BA incidentally faces demands for more competition on the London-Aberdeen run itself. Dan Air is applying to operate a service in competition with it. Mulligan says: "I think there are powerful oilmen who are trying to use Dan Air as a stick with which to beat BA. What they really need is a better frequency so that there are more and better seats. As it is, Mister Shell is sitting next to oil rig workers who are only too pleased to have got off the rigs, and are absolutely *smashed*."

Whipping Jimmy

Last week's much quoted leak of President Carter's remark that if Senator Edward Kennedy runs for the Presidency next year "I'll whip (*pronounced 'whup'*) his ass" was not accidental, I gather. Far from it. It now transpires that Carter, as part of his new campaign to show that he is not afraid of the Kennedy threat, had vouchsafed the same comment to several recent meetings with groups at the White House. *One was with fellow Georgians* who clearly thought the President was just showing he was still a good 'ole country boy.

The snag was that none of these small audiences considered giving the remark wider currency by mentioning it to the Press. Finally White House patience snapped. Its top Congressional lobbyist, Frank Moore, telephoned representative Thomas Downey, a Democratic Congressman who had attended a White House dinner on Monday at which Carter repeated, twice, his flagellatory vow.

To Downey's astonishment, Moore urged him to repeat the remark *if the Congressman* happened to run into the Press. the White House then gave reporter Downey's ex-directory home telephone number.

The assiduously, if clumsily, orchestrated leak seems to have backfired, however. Kennedy is generally thought to have come out best by saying the President had obviously been misquoted and meant he would whip inflation. He realised, he said, that "the White House was behind me, but not that they intended to get that close."

Voice in need

In Transport House there have been discussions about expanding *Labour Weekly*, the party's subsidised mouthpiece. It has in the past been accused of leaning too far left; James Callaghan and his associates now look at it more fondly.

Editor Donald Ross explains: "When you are a minister in office, even the *Daily Telegraph* prints every word you say. In opposition, you are concerned about having your views heard." The paper may well become a battleground in the wrangle between Callaghan and the left over what sort of face Labour should present to the world.

Labour Weekly has a gross subsidy of £50,000 a year, but performs various editorial tasks for the party. Now that "there is something to push against," Ross things the circulation will *rise. Founded in 1971, the paper* was at its peak just before the February 1974 General Election, with sales of 23,000. Now it is down to 17,000.

The price is being held at 10p, which gives the paper a 10p advantage over *Tribune*. That other weekly rival on the left, the *New Statesman*, also enjoying a revival of its spirits under Mrs. Thatcher, is 25p.

Labour Weekly's expansion plans may include a promotional drive. If so, the contract is unlikely to be given to Saatchi and Saatchi, which handled a publicity campagn in 1976; that, of course, was before the agency had hitched its waggon to the *Tory star*.

Trusting miners

My recent observation that the investment trust movement began in Scotland has evoked *a strong challenge from the* opposite end of the United Kingdom. A mining historian, Justin Brooke, who lives in Marazion, has unearthed the West Cornwall Mines Investment Company, a joint-stock concern founded in June, 1836.

Its purpose was to invest in Cornish copper mines—of which there were around 40 in operation then. "It paid dividends, and thus can be regarded as Britain's first investment trust," says Brooke. Sad to say, Cornish copper mines had lives as unpredictable as that of Wheal Jane tin mine today. By the end of *1841, this pioneer* of the movement had vanished like a will-of-the-wisp.

Catching cats

Britain is still a nation of dog-lovers—something proved by their escape, yet again, from the claws of the Inland Revenue under the Howe Budget. The dog licence remains what it was 100 years ago, 37½p.

In France, cats are the preferred species, like everyone else are now being brought under the sway of the micro-processor revolution. A consortium of *Paris* vets has started a computerised feline register which already has 700 cats taped. Lost cats which belong to this elite can swiftly be identified and returned to base. The vets talk ambitiously of extending the system to all France's estimated cat population of 7m.

Observer

FINANCIAL TIMES SURVEY

FRANCE

The results of the European Parliament elections have helped to clarify France's domestic political situation and have strengthened President Giscard d'Estaing's position. He will need as much room for manoeuvre as possible if the country is to overcome its pressing economic problems, which have been exacerbated by the energy crisis.

Little room for optimism

By Robert Mauthner
Paris Correspondent

FRANCE FACES the coming 12 months in a much less optimistic mood than it did a year ago. The outcome of the European elections, in which President Giscard d'Estaing's supporters scored a substantial victory has certainly put new heart into a hard-pressed Government. But if it has been accorded some respite on the political front, the rapid escalation of oil prices over the past few months has cast a cloud over the economy and threatens the success of Prime Minister Raymond Barre's much-vaunted economic recovery plan.

While the economic situation is by no means disastrous, it is likely to give the Government an even bigger headache than before and provide its political opponets with a constant supply of ammunition. A vastly increased oil bill could again push the trade balance into deficit, following its first surplus for several years in 1978. The rate of inflation will almost certainly go into double figures in 1979 and it will prove difficult, if not impossible, to bring down unemployment, currently more than 1.3m, given an expected economic growth rate of only 3-3.4 per cent.

In the circumstances, M. Barre has had no other choice than to promise the country a further period of relative austerity, entailing a continuation of tight monetary and credit policies and wage restrictions. No other choice, that is, by his own rigorous monetarist standards. Both the left-wing opposition parties and M. Jacques Chirac, the Gaullist leader, argue that more could be done to expand the economy and stimulate employment. Indeed, their criticisms of M. Barre's economic and industrial policies have been the cause of much of the political tension in France over the past year and are likely to provoke more *battles in the coming months.*

The conflict between M Chirac and M. Giscard d'Estaing has been one of the constants of French politics since the former's resignation as Prime Minister in August, 1976, following a dispute over electoral strategy and the powers of the Premier. It continued virtually unabated *throughout* the campaign leading up to the general election of March, 1978, in spite of the fact that the Gaullists were members of the Centre-Right coalition, and was resumed after its victory. After a short hiatus, M. Chirac stepped up his harassment of the President and the Government, which reached a crescendo of virulence during the European election campaign.

As a result, President Giscard has never had a completely free hand. The survival of the Government depends on the support of the Gaullists who, with 155 seats, are still the biggest single political force in the National Assembly. If M. Chirac wanted to, he could force the resignation of M. Barre's Government by joining the Socialist and Communist Parties in opposition.

The Government's most difficult moment came in March this year after its steel restructuring plan, involving the lay-off of some 20,000 workers over two years, had provoked violent riots in the eastern and northern French steel towns. The Gaullists, for the first time since 1960, banded together with the Socialists and Communists in calling for an extraordinary session of the National Assembly. But when it came to the crunch, M. Chirac stepped back from the brink and the Gaullists refused to support either of the censure motions tabled by the Socialists and Communists.

The motives behind M. Chirac's tactics are not hard to find. Most political observers are convinced that this intensely ambitious man wants to become President of the Republic and is therefore obliged to keep himself constantly in the public eye. But M. Chirac *is almost* equally concerned with ensuring the survival of the Gaullist Party, and that demands a permanent effort to underline the policy differences between the Gaullists and the pro-Giscard UDF party. Too close an identification with President Giscard would quickly lead to the demise of the Gaullists as a distinct political group.

If M. Chirac is not prepared to take his reasoning to its logical conclusion and bring down the Government, it is because *he fears and dislikes* the Socialists and Communists even more than he does the Giscardians. Given the fact that the two left-wing parties combined can still muster the support of nearly 50 per cent of the electorate, in spite of all their disagreements, unnecessary general elections must be avoided, except under the most favourable conditions for the Gaullists.

Unfortunately for M. Chirac, however, his ambiguous and over-aggressive tactics have led him into hot water inside his own party. There are those like M. Alain Peyrefitte, the Justice Minister, and M. Olivier Guichard, a Minister both under General de Gaulle and M. Pompidou, who feel that M. *Chirac regularly oversteps* the mark in his onslaughts on the President. Others, like the old Gaullist war-horse, M. Alexandre Sanguinetti, believe that M. Chirac has already made too many compromises with the powers that be and should put his verbal opposition into practice. But most of M. Chirac's critics, who are becoming *increasingly vocal, at least have* one thing in common: their disapproval of the Gaullist leader's style and the dictatorial manner in which he has been running the party.

The European elections, which M. Chirac and M. Michel Debre—another former Prime Minister and guardian of Gaullist orthodoxy—could do nothing to prevent, were clearly considered to be an important milestone in the Gaullist leader's long-term strategy. He had made it clear *that the party would not try to* overthrow the Government before the elections. But the implication was that, if the Gaullists did well in the European poll, at the expense of President Giscard's supporters, the formal alliance between the two coalition partners might be broken.

The groundwork was carefully laid for this game plan. President Giscard was systematically attacked for lacking the political will and the strength to defend France's *independence* and *interests* inside the Community. The President and Mme. Simone Veil, the Health Minister, who headed the pro-Giscard list in the elections, were accused of harbouring supranational intentions, in spite of all their protestations that they did not want to see an extension of the European Parliament's powers. And M. Chirac *repeatedly* underlined the domestic implications of the European elections by asserting that the result would also be a clear indication of whether the voters supported or opposed M. Barre's economic policies.

The assumption made by M. Chirac and his political

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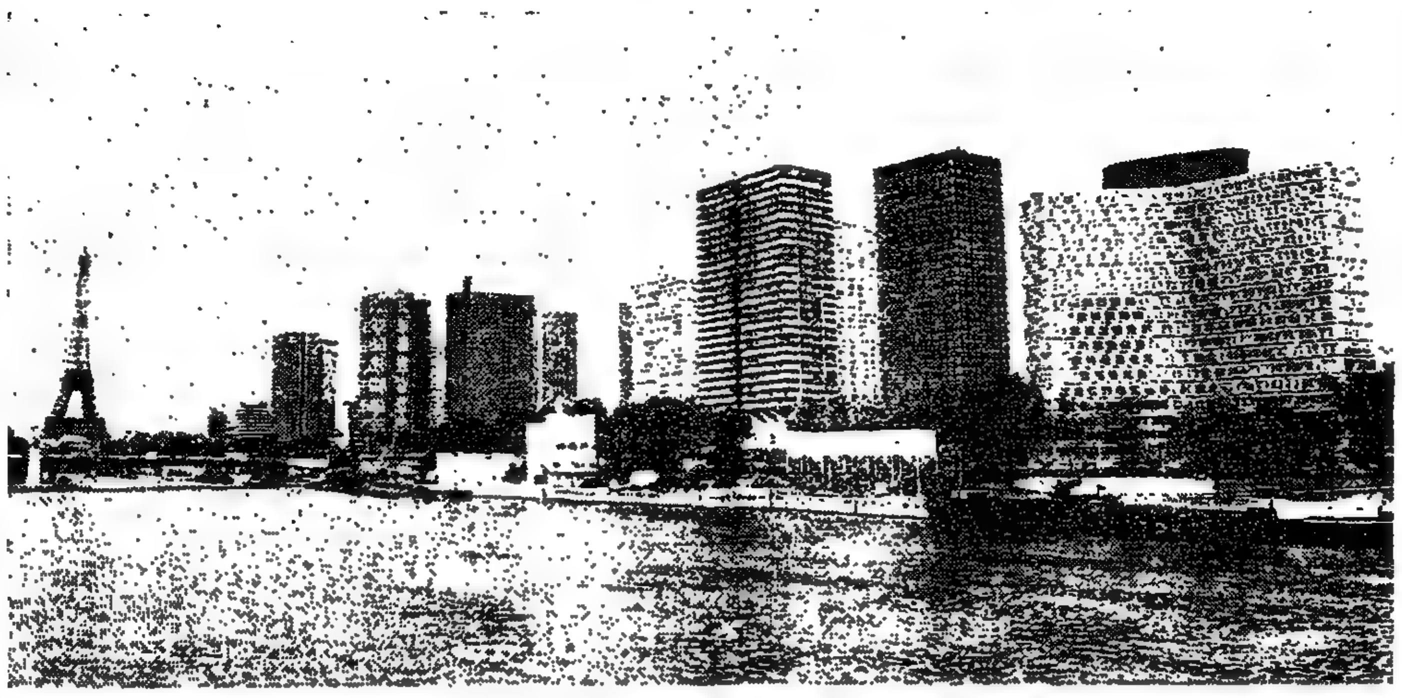


Modern buildings along the south bank of the Seine in Paris.

BASIC STATISTICS

Area	210,039 sq. miles
Population	52.9m
GNP (1976)	FFr 1,675bn
Trade (1978)	
Imports	FFr 369bn
Exports	FFr 358bn
Imports from UK	£2.53bn
Exports to UK	£3.21bn
Currency=franc £1=FFr 9.13	

Bitter medicine for the economy

M. RAYMOND BARRE, France's Prime Minister and father of the three-year-old economic stabilisation which has been much admired in other countries, is currently one of the most criticised men in the country.

The Left-wing opposition parties and trade unions lambast him for keeping the hatches down on wage rises while failing to control inflation and, most of all, for the continuing rise in unemployment. M. Jacques Chirac, the Gaullist leader, attacks M. Barre almost daily for much the same reasons while calling upon him to adopt expansionary measures and take protective action against industrial imports from countries with low production costs. Even his own supporters are expressing fears about the political consequences of too long a dose of austerity.

But the Prime Minister has remained impervious to all these onslaughts as well as to periodical rumours that President Giscard d'Estaing might soon replace him. The medicine that he has administered is the only one which will cure the patient, he proclaims untiringly. No matter how bitter the taste, it must be swallowed until recovery is complete.

If an increasing number of people are asking whether that glorious day will ever dawn, it is because the economy has been under sedation for nearly three years and is still far from attaining the state of robust health which M. Barre has promised the country. But given the present international economic context and France's very heavy reliance on imported oil, only the most churlish would saddle the French Prime Minister with all the blame for that state of affairs. The record shows that, compared with some of the other economic invalids in the world, France has not been doing all that badly.

The cooling down of the economy, it should be said, has not been as severe as is sometimes imagined abroad or M. Barre's domestic critics claim. Indeed, that partially explains the continuing high rate of inflation, currently running at an annual rate of nearly 11 per cent, after a rise in prices of 9.7 per cent in 1978.

Though monetary and credit policy has remained tight throughout M. Barre's tenure, with progressively stricter money supply and bank credit growth ceilings being set every year, the official targets are nearly always exceeded. Thus M2 rose by 13.2 per cent in 1978, *compared with an official ceiling* of 12 per cent, according to Bank of France figures. Moreover, budgetary policy has been surprisingly lax. The target for last year's budget deficit of FFr 9bn was exceeded in practice by some FFr 26bn and it would be very surprising indeed, judging by past experience, if the announced 1979 shortfall of FFr 15bn were to be respected.

Successive reflationary packages, though limited in their scope, have kept the economy ticking over at a reasonable rate, if not by historical standards then at least in relation to the OECD area's average. A FFr 10bn package of aid to investments adopted in September, 1978, was followed in April this year by a series of further measures giving a potential FFr 5.8bn boost to flagging investments.

M. Barre originally intended to wait until this month before introducing these latest measures but brought them forward to compensate for the depressive effect on the French economy of OPEC oil price rises. At the time the Prime Minister promised that an extra stimulus would be given to the building and public works sectors later this year, if the economic situation warranted. It seems as if that moment may be fast approaching, because the forecasts for the second half of 1979 are markedly less optimistic than they were for the first.

Compensate

In the autumn of 1978 the French economy was all set for a consumer and export-led leap forward. During the fourth quarter private consumption increased at an annual rate of more than 5 per cent, while industrial production jumped by 6 per cent in annual terms. By January this year the industrial production index had touched 132, the highest level since before the 1974 recession and a rise of 4.8 per cent in one year.

The indications are, however, that consumer demand subsequently fell off again, as the result of a reduction in real disposable incomes caused by a sharp increase in social security contributions at the end of January. In spite of M. Barre's often wrongly described wages "freeze"—wages continue in fact to be inflation-indexed—purchasing power rose by 4 per cent last year, thanks largely to increases in social security benefits. This clearly had an effect on consumer spending. But the latest rises in social security contributions are estimated by INSEE, the National Statistics and Economic Studies Institute, to have siphoned off some FFr 12bn, or 1.5 per cent of total wages and salaries.

Most official and private forecasting institutes agree that the pattern of economic activity in the second half of this year will be very different from that of the first. The decline in the growth of household consumption is likely to be accompanied by slack demand for capital goods and industrial investment is expected to remain hesitant despite surveys earlier this year noting an upturn in investment intentions.

Given the constraints placed on the French and world economy by escalating oil prices and the resurgence of inflation, it is hardly surprising that official forecasts for 1979 have been scaled downwards. Gross Domestic Product is now expected to increase by 3.4 per cent instead of 3.7 per cent as predicted last September, household consumption is forecast to rise by 3.4 instead of 3.8 per cent and industrial investment by 3.7 instead of 5.5 per cent.

These predictions, however, are still considerably more optimistic than those of other international and national economic bodies. The OECD is sticking to its original forecast that France's economy will grow by no more than 3 per cent in the current year, while the Paris Chamber of Commerce and Industry sees investment rising by only 2 per cent.

The rise in oil and other raw material prices also threatens to spoil M. Barre's record in the two areas in which his policies have been undisputedly successful—the balance of payments and stabilisation of the franc. France's current account was in surplus last year to the tune of FFr 18.6bn, compared with a deficit of FFr 16.4bn in 1977. And the trade balance, to which French economic observers pay much more attention than to the current account, swung into a seasonally adjusted surplus of FFr 2.5bn after two years of successive deficits.

Just as it would be unfair to blame M. Barre for all the failings of the economy which, like that of any other major trading nation is highly sensitive to international developments, it would be equally wrong for the Prime Minister to claim all the credit for the great improvement in the country's external position. Though exports rose by 6 per cent in volume in 1978, it was largely thanks to a sharp drop in import prices resulting from the fall in the exchange rate of the dollar which was responsible for the rapid turnround of the trade balance.

Though a cumulative trade surplus of FFr 1.7bn has been chalked up in the first four months of this year and the OECD is forecasting another substantial current surplus in 1979, roughly of the same order as last year, conditions have become much more unfavourable. According to M. Barre, France's oil import bill will rise by as much as FFr 15bn in 1979, making it virtually impossible for the Government to respect its original FFr 58bn ceiling for imports of this vital commodity.

In addition, the terms of trade are swinging against France as a consequence of the recent hardening of the dollar on the exchange markets and rapidly increasing raw material prices. INSEE has also noted a progressive decline in the competitiveness of French goods, estimated at 5 to 6 per cent last year, as the result of the relatively high rate of inflation in France and, particularly, the rapid increase in wage costs.

The Institute's last six-monthly survey on this subject reported heads of companies as considering that their prices were on average nearly 5 per cent higher than those of their foreign competitors, whereas in May last year the gap was no more than 3.6 per cent.

Boost

More than ever, France is looking to West Germany, which takes nearly 20 per cent of its exports, to provide a boost to its economy. The economic upswing in its neighbour across the Rhine should compensate for the loss of much of the Iranian market, which accounted for some 1 per cent of France's total exports. But the continuing large gap between West German and French inflation rates, which tends to cancel out the exchange rate advantage that French goods would normally have in the German market, remains an obstacle to expanding exports in that direction.

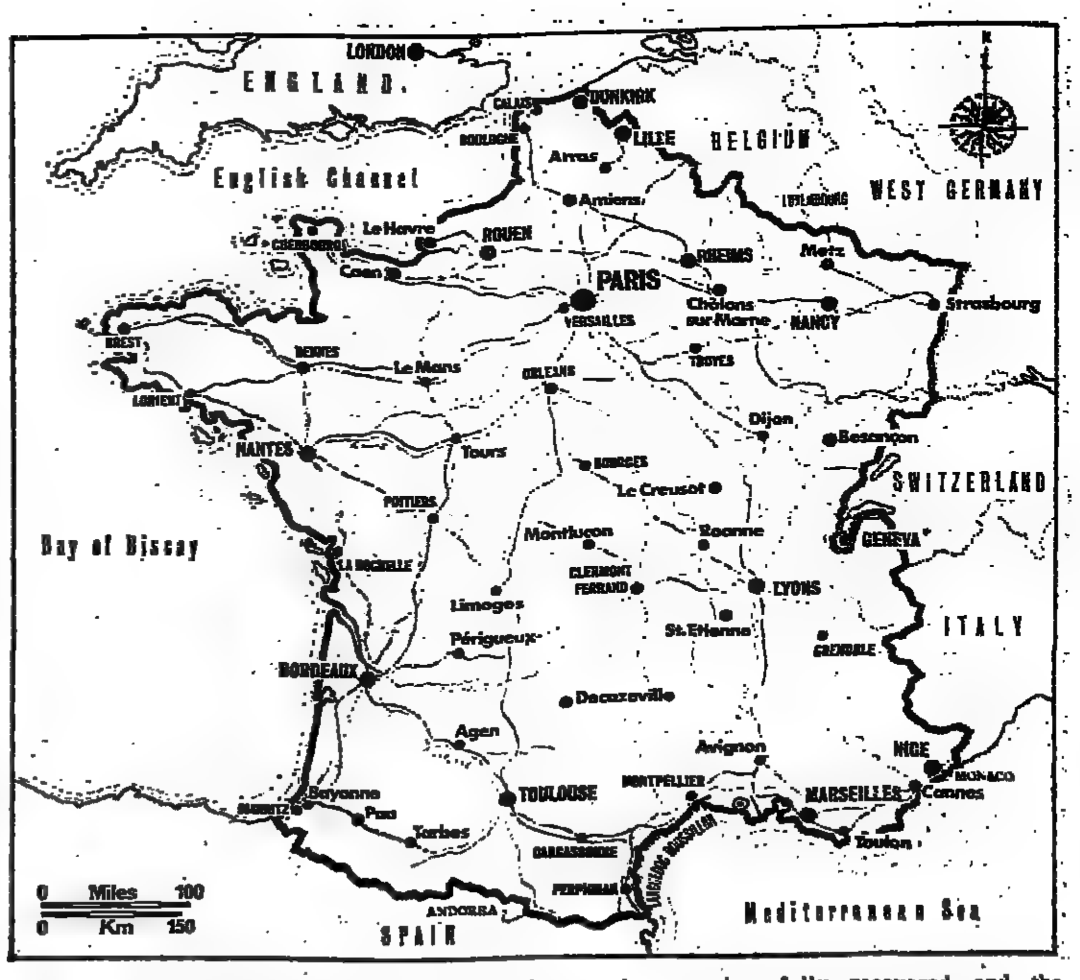
If inflation remains a black spot on the economy, M. Barre's copy-book has been blotted even more, in the eyes of the unions and his political detractors, by rising unemployment, which has now reached about 1.3m and is expected to increase by at least another 150,000 by the end of this year.

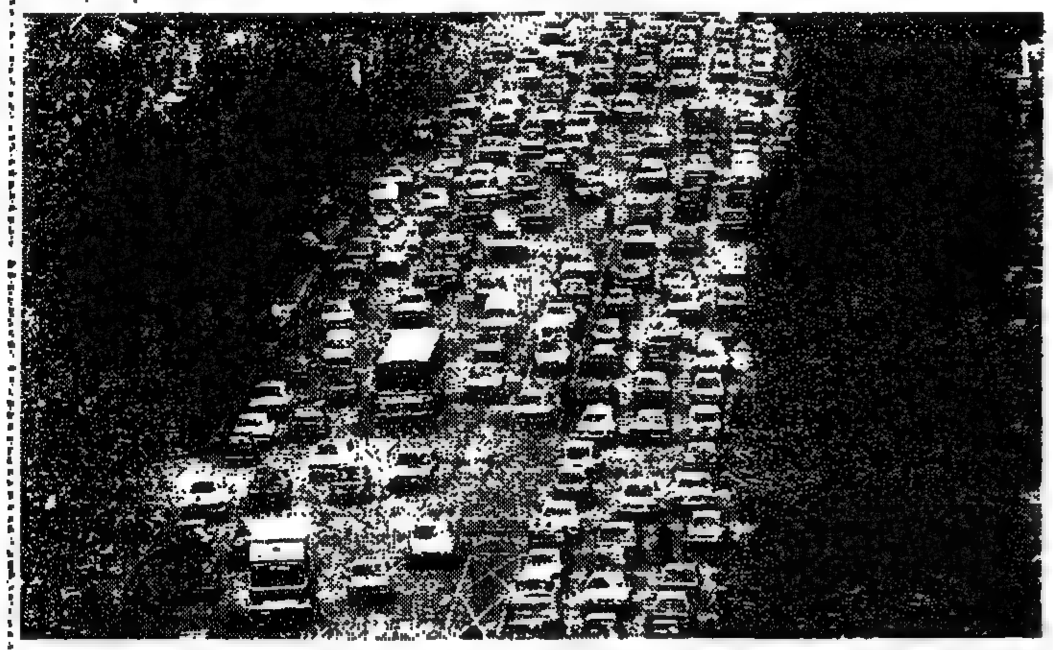
Things have not been made any better by the fact that the Prime Minister has indicated that high unemployment is a cross which the country will have to bear until the economy has fully recovered and the world economic climate has improved. And it may well be asked whether the Government did not make a serious psychological mistake when it announced blandly that its steel restructuring plan, an essential plank of its new industrial policy, would lead to the dismissal of 20,000 workers in 2 years. The subsequent violent riots in the steel towns of Eastern and Northern France were a sharp reminder to the Prime Minister that economics also has its human side.

The Government, it should be said, has made considerable efforts to deal with the problem of unemployment in ways which will not undermine its basic economic and industrial policies. A comprehensive plan, including early retirement, "golden handshakes" and retraining facilities for steel-workers is being negotiated between the Government and the unions. Some 15,000 new jobs have been promised in the stricken regions by the creation of subsidised factories. On a national level the Government has just announced its third youth employment plan, which aims to create 450,000 new jobs at a cost of FFr 3.5bn over a period of 3 years.

It is clear, however, that there will be no substantial drop in unemployment until the economy grows much more rapidly than it is doing at the moment, and that is a step which M. Barre cannot contemplate as long as inflation is not under control and the balance of payments remains fragile.

Robert Mauthner





The rise in oil prices has not yet persuaded the French to cut down on car travel: they are buying more cars than ever before.

Room

CONTINUED FROM PREVIOUS PAGE

advisers was that, when it came to the point, an appeal to the French people's deep-seated nationalism would be a much stronger vote-catcher than the rather wishy-washy idealism of Mme. Veil, in spite of her popularity. But the gamble did not come off. Mme. Veil's list led the field with 27.5 per cent of the votes and the Gaullists were relegated to an ignominious last place among the major political groups with only 16.2 per cent, trailing a long way behind even the Communists.

The elections for the European Parliament have also been instrumental in destroying some illusions on the other side of the political fence. The Socialists, who, since their success in local elections last March have claimed that they are the biggest political party in the country, managed to take only the second place in the European elections. Certainly, their score of 23.6 per cent was an honourable performance. But it was less than the combined Socialist and Left-wing radical vote in the first round of the last general election. Even more important, the gap between the Socialists and Communists, who obtained 20.6 per cent, has been reduced.

The Socialist advance at the expense of the Communists has therefore been halted. This is bound to have important implications for the future relationship between the two parties of the Left, as well as for M. Francois Mitterrand's position as Socialist leader and his prospects of being chosen as a candidate in the 1981 French presidential election.

Mr. Mitterand, the chief proponent within his party of a resuscitation of the alliance with the Communists, in spite of all the disagreements between them, had already suffered an erosion of his influence before the European elections. At the last Socialist Party congress in April, M. Mitterrand's programme failed to obtain an absolute majority and he was able to reassert himself only by forging a post-congress alliance with the anti-European Left wing of his party. That, no doubt, did not help to bring out the Socialist voters in the European elections.

Waiting in the wings is the 49-year-old M. Michel Rocard, whose ardent advocacy of a mixed market economy and lukewarm attitude to the Communist connections offers the party a clear social democratic alternative to M. Mitterrand's rigid adherence to centralised planning and a far-reaching nationalisation programme.

Somewhat paradoxically, the strengthening of the Communist Party in relation to the Socialists will make the former less inclined to make the compromises required to put the union of the Left on the rails again. M. Rocard's chances of persuading his party to modify its strategy, as well as his prospects of winning the Socialist nomination for the next French presidential election, therefore appear to have improved after the European elections.

Whatever their consequences for the future of European unification, the elections for the new European Parliament in France have thus helped to clarify the domestic political situation. As after the general election last year, President Giscard d'Estaing's position has been strengthened and his room for manoeuvre has been increased by the discomfiture of M. Chirac, whose capacity to rock the boat has been greatly restricted by the Gaullists' disappointing performance in the European poll.

The main threat to President Giscard's chances of being re-elected for a second term in 1981 remains the country's economic performance. And that, given the pessimistic international economic climate, will provide a much bigger challenge than President Giscard has had to face so far from the country's agitated politicians.

FRENCH SUGAR AN OPPORTUNITY FOR EEC

This White Paper is presented on behalf of all the French professional organisations in the beet, cane and sugar sector, represented within the national interprofession; (C.I.P.S.).

- *Comité Interprofessionnel des Productions Saccharifères* (C.I.P.S.) - 42, rue de Lisbonne, 75008 PARIS.
- Confédération Générale des Planteurs de Betteraves (C.G.B.) 43/45, rue de Naples, 75008 PARIS.
- Syndicat National des Fabricants de Sucre de France (S.N.F.S.) 23, avenue d'Iéna, 75016 PARIS
- Fédération Nationale des Coopératives de Transformation de la Betterave (F.C.B.) - 29, rue du Général Foy, 75008 PARIS.
- Syndicat Général des Producteurs de Sucre et de Rhum des Antilles Françaises - 4, rue Arsène-Houssaye, 75008 PARIS.
- Union Syndicale des Producteurs de Sucre et de Rhum de l'Ile de la Réunion - 13, rue de Castellane, 75008 PARIS.
- Confédération Agricole des Plantes Saccharifères (C.A.P.S.) (1).

(1) An organisation which incorporates cane producers from the Overseas Departments.

INTRODUCTION

Negotiations relating to the organisation of sugar production in the European Economic Community from 1980 onwards are to open shortly in Brussels.

After ten years of perseverance, France now stands among the largest sugar nations, with regard to both her production *potential and her productivity*. She therefore has considerable interests to defend during these negotiations - especially employment, and receipt of foreign exchange - and must preserve and enrich what she has acquired.

However, this acquisition is threatened. These threats come from the degradation of the Common Agricultural Policy, a degradation of which everyone knows the main aspects (in particular the problem of compensatory amounts, or the United Kingdom's hostile attitude towards the Common Agricultural Policy). But there are also threats which endanger aspects which are more specifically sugar orientated, and these are obviously less well known.

Serious consequences can result.

The French professional organisations representing the interests of beet and cane growers and sugar manufacturers *have thus endeavoured to* compile the main elements to be considered in this White Paper.

In particular it will deal with:
- the place of sugar production in French, European and world *economies*;
- disproof of criticisms which are often made in an attempt to impose a reduction of this production;
- the need to rectify the divergences - sometimes of an *extremely serious nature - facing* the European Sugar Policy.

It will also try to put forward the lines along which the EEC sugar organisation should base itself from 1980 onwards.

FRENCH SUGAR PRODUCTION
ITS PLACE IN THE WORLD

The EEC is the world's number one sugar producer: more than 11 million tonnes (white value (1). Its exports onto the world market are estimated for 1977/1978, at 2.1 million tonnes (19% of production) which can be broken down as follows:

Total exports	3.4
Imports (from countries within the Lomé Convention ..	– 1.3
Net exports	2.1

France, with a production of 4.2 million tonnes of sugar (sugar beet in the Motherland, sugar cane in the West Indies and the Reunion), is both the largest producer in the EEC and fifth in the world. The countries which exceed her: USSR, Brasil, Cuba and India, produce larger tonnages but have a far lower productivity.

Exporting more than 50 % of her production, France is the second sugar exporter in the world.

Her sugar exports brought in 4.3 thousand million francs in 1977/1978, this receipt alone enabled her to settle 10 % of the country's fuel bill during that period.

In the Motherland, the sugarbeet factory is a strong point of agro-alimentary industry and a powerful factor in regional development. Sugarbeet, moreover, is an excellent leading rotation crop, which improves the productivity of crops which follow it.

In the overseas departments, where 8 % of French sugar is produced, cultivation of sugar cane constitutes the pivot of agricultural activity and local economy. It is, directly or indirectly, the livelihood of 200,000 people and conditions the social and economic equilibrium of these territories, which suffer various handicaps such as geographical remoteness, insularity, relief, hasards of tropical climates.

By counting the extra jobs made available by the derived industries, one can estimate that the beet-cane-sugar sector of the economy in France *ensures a permanent 50,000* jobs in industry in addition to the jobs in farming.

Therefore, the grievances voiced against this sector should be very well founded if they are to justify the measures at present being taken in this regard in which, if we are not careful, will lead to its dismantlement.

What are these grievances? What is their value?

(1) Both French and Community statistics are defined in terms of white *sugar. The processing* of raw sugar into white sugar ("refining") involves a weight loss which, as a lump sum, is estimated as being 8 %.
All figures quoted in this White Paper are expressed in terms of white sugar.

THE ATTACKS MADE AGAINST THE SUGAR SECTOR ARE UNFOUNDED

These attacks and criticisms emanating from different circles are based on three main arguments:
1 - Sugar exports are costly for the collectivity
2 - European production harms developing countries
3 - The sugarbeet industry will at some time or other be condemned by starch based sugar.

What should one think about this?

1) ARE SUGAR EXPORTS EXPENSIVE FOR THE COLLECTIVITY?

Let us remember first and foremost that sugar is an alimentary product which provides calories at the lowest price. It is also one of the products whose purchase value, in relation to the hourly wage, has decreased the least rapidly over the last 30 years.

In 1950, 1 kg of sugar in France cost 1.05 F retail, or 80 minutes labour at the SMIG rate (1).

In 1978, it cost 3.12 F retail, or 22 minutes labour at the SMIC rate (2).

The price of 1000 food calories is 0.78 F for sugar as against:
1.02 for oil
1.69 for rice
1.94 for bread.

(1) SMIG: Minimum Guaranteed Interprofessional Wage.
(2) SMIC: Minimum Growing Interprofessional Wage.

All the market studies published in France confirm, moreover, that housewives consider sugar inexpensive.

But, some people say, however cheap it might be for the consumer, French sugar is more expensive than world sugar and therefore should be subsidised to be exported, something which entails great expense. This is an accusation which is sometimes well received by the highest authorities of the Community.

The main characteristic of the price of world sugar is not that it is cheap but that it is unstable: reaching very high levels whenever the statistical situation is strained, it slumps in the opposite case. The quoted prices of the terminal markets in Paris, London, New York or Hong Kong magnify the variations in production quite considerably.

In April 1979, one kilo of sugar *bought at the world price came* to 1.1 F wholesale (whilst fetching 2.08 F in France).

In November 1974, it fetched... 8 F on the world market (and 1.42 F in France!).

This instability of the world price is unfortunately a constraint to which all sugar exporting countries are subject - one must note that up till now, all efforts undertaken to reduce this instability have been in vain.

On the other hand, we note that the Common Agricultural *Policy has always ensured the* stability of prices for the benefit of European consumers. If this instability seems at the moment to favour the producer, one should not make the latter the scapegoat for the disorganisation of the world sugar market: abundance must not kill off the most efficient producers.

Having thus summed up these preliminary explanations, let us once again ask the question - is the cost of EEC sugar exports excessive?

First of all, does the figure which is sometimes quoted in this respect - 600 million Units of Account (1) - correspond with reality?

Three comments can be made:

First comment:

Adopting a generous policy of aid to the Third World, an example which no other country has followed, and which even the recipients called "hopeless", the EEC decided under the Pact of Lomé, that each year it would buy 1.3 million tonnes of sugar from the so-called "ACP" countries (Africa, Caribbean, Pacific). This sugar would be bought at the Community price. The EEC does not need any of this sugar since it already exports in its own right, so the equivalent of it has to be re-sold to the world market, the situation of which is at present greatly depressed. This entails a financial loss which currently reaches an annual amount of 325 million Units of Account.

Here it is a matter of a general policy of aid to development. We will show later on that it is not the best one and that the same result can be obtained *at less expense.*

This action has nothing to do with the Common Agricultural Policy and in no way concerns Community producers: the Commissioner responsible for Agriculture, Mr GUNDELACH, has, moreover, acknowledged this quite distinctly. This sugar is produced from a raw material coming from outside the EEC. It is therefore entirely wrong to count these 325 million Units of Account with the others as if it was a question of *expenditure incurred by the* export of Community sugar.

On the contrary, the Community should, in all logic, register this expenditure in a chapter of its budget headed "Aid to the Third World", rather than making out - as some are trying to do - that it is a question of the overall cost of agricultural exports to be readily presented as an embarrassing inconvenience of the EEC. This argument is British, and goes directly against the interests of the most efficient producers in the EEC, and especially French interests.

Second comment:

As for the field of agricultural *production, a certain allowance* should be made for climatic conditions. One can therefore quite justifiably reason that for periods of a certain duration, agriculture is an open air activity. With regard to this, if one considers the last six sugar campaigns (1973/1978) one will observe that:

- during five of these years, the EEC was an exporter: the net cost of these exports for the FEOGA (European Agricultural Guidance and Guarantee Fund) averaged at 30 million Units of Account per annum, or 1 % of the average value of production (see table in annexe).
- on the other hand, the 1974/1975 campaign, due to abominable climatic conditions, showed a deficit. The EEC was thus obliged to import sugar at a time when world prices were extremely high: it cost the Community budget and the British budget more than 160 million Units of Account.

The campaign showing a deficit was thus five times more expensive than the exporting campaign.

Third comment:

Any sugar produced outside the quota is exported, in its entirety, without any help from the FEOGA. Moreover, a considerable part of the cost of net *exports of sugar produced* within the maximum quota is carried by the producers themselves in the form of the "production levy". This reached a figure of 77 % for the six campaigns under consideration.

This contribution, because of its size, has no equivalent in any other agricultural sector.

Finally:

- if, as would be normal, expenditure incurred by the support of the sugar economy of ACP countries (*325 million Units of* Account in 1978) is entered under a separate chapter
- and if one takes into account the fact that sugar producers contribute (192 million Units of Account in 1978) to the finan*cing of exports*

one can state that for 1978, which was a year when climatic conditions were exceptionally favourable to production and when, on the other hand, the world price was very low, the net cost of Community sugar exports for the FEOGA reached 132 million Units of Account. During a year of low production or of average world prices, the expenditure by FEOGA is nil or negligeable. This expenditure thus appears much more as an insurance against scarcity than as the result of structural over-production.

(1) The Unit of Account - which has just replaced the ECU - is the symbolic currency in which the financial accounts of the Common Market are kept. One unit of Account is at present worth 6.22 FF.

2) DOES EUROPEAN PRODUCTION HARM DEVELOPING COUNTRIES?

Two quite distinct affirmations are apparent on this subject:

First affirmation:

The EEC, which is rich, should refrain from exporting sugar onto an already depressed market. She should not compete with Third World countries whose only means of income is through sugar production.

This is forgetting, first of all, the considerable aid (unequalled elsewhere in the world) brought by the EEC to sugar production in ACP countries - a subject we have already dealt with.

It is also forgetting, with regard to consumption, that the populations of developing countries which import sugar are larger than those in developing countries which export sugar. The former total 1.5 thousand million, and the latter 1 thousand *million. If the interest of exporters* is to sell sugar as expensively as possible, that of buyers is the opposite. In addition, the majority of countries which buy sugar from the EEC are the very poor African countries which would have difficulty finding an alternative regular supply of white sugar at the best price.

Second affirmation:

The EEC would be responsible for the failure of the International Sugar Agreement which came into force in 1978. It has been hinted that sheer selfishness prevented her ratifying this Agreement, whose aim is to rectify the market situation by imposing a strict export discipline on its members.

This is a rather hasty shifting of responsibility onto the Community for a failure which is due much more to the Agreement's own inadequacies and the attitudes of its devotees.

Inadequacies of the Agreement:

At the time of negotiations of the Agreement in Geneva 1977, the EEC maintained that it was dangerous to set the latter up on a mechanism of export quotas, which in the past had always showed itself to be inefficient. No-one paid any attention whatsoever to this. The EEC pleaded for a policy of regulating stocks, which it deemed the only way to enable any real regulation of the market. Once again, no-one listened since the regulating stock theoretically foreseen by the Agreement - and which was very insufficient in volume - never materialised due to lack of finance.

In spite of this, the EEC spontaneously, and from before the Geneva negotiations, removed 1 million tonnes of sugar from the market. These it stores at its own expense. If the main exporting countries had followed this example, the tonnage *thus removed* from the market would be some five million tonnes of sugar (that is more than double the tonnage foreseen by the Agreement) providing a sure way of achieving a very efficient regulation of the market.

One cannot therefore maintain that the EEC is indifferent to the success of the aims laid down in the Agreement. We observe however, that several partisans of the Agreement do not do half much, and yet expect their neighbours to make the efforts they themselves recommend.

Attitudes of countries in favour of the Agreement:

The United States ardently militated *in favour* of the Agreement, in which they thought they had an interest - yet they did not ratify it.

The USSR openly declares that she does not intend to accept the constraints of the Agreement.

The Cuban government, the main master of art of the Agreement, officially states that the latter gives her unlimited possibilities for exporting and is preparing to increase her production. This is a perfect contradiction to the aim of the Agreement.

Australia benefits from an export quota which allows her to retain a position which, for a highly industrialised country, has no equal in the world: ex*porting 3 times more sugar* than she consumes. Why should 8.000 Australian agriculturalists each have the right to export 300 tonnes of sugar per annum, when 500,000 European farmers are being accused of exporting 4 each? Why cannot the Community export 20 % of her production when several countries export 3.5 even 15 times more sugar than they consume, and under far less competitive conditions? Far more than it being a matter of the attitude of the European Community, the real reasons for the failure of the Agreement are its own inadequacies, and the lack of willingness of its members to make it work. This is without forgetting the abso*lutely irrational character of the* notion of export quotas and the very debateable "criteria" of the means of distribution!

3) IS THE SUGAR INDUSTRY TODAY CONDEMNED BY STARCH BASED SUGAR?

It is often heard said that sugar produced from beet or cane is a thing of the past: that today marks the opening of the era of corn based sugar. *The future belongs to wheat based sugar,* manioc based sugar, milk based sugar, wood based sugar (1).

This concerns two types of agricultural economy.

European agriculture produces an abundance of wheat and beet, but has to import corn. The United States, for their part, have considerable corn surpluses but heavy deficits in sugar, and therefore import (American sugar consumption: 10 million tonnes, half of which is imported).

Consequently, it is not surprising that during the sugar shortage experienced in 1975, on-the-ball American technology encouraged its research in the direction of corn syrups.

Does this mean that Europe should imitate America? Is it not paradoxical that when we have one of the most productive sugar economies in the world we import both the corn and the patent in order to manufacture substitute products in multinational societies.

We will elaborate the arguments which confirm moreover that this corn currently benefits from discriminatory production conditions in relation to sugar, thus giving it an unfair advantage.

After this development, it seems that none of the accusations stands up to close examination. It would thus be to dismantle the economic organisation of the sugar sector - on the contrary, one must restore the basic principles of the Common Agricultural Policy as laid down in the Treaty of Rome.

(1) It appears that the next thing will be sugar based on household waste.

RESTORING THE COMMON AGRICULTURAL POLICY ON HEALTHY FOUNDATIONS

However unfounded they might be, the accusations made against the sugar sector have nevertheless influenced certain decisions which have appreciably changed the principles on which the Common *Agricultural Policy should be* based in accordance with the Treaty of Rome:
- Community preference
- Specialisation

1) COMMUNITY PREFERENCE

Community preference wants the EEC to exploit, in priority, its natural resources, and for its member states to give priority to their partners before taking recourse to imports.

With regard to this, two serious *short-comings must be pointed out:*

Sugar imports from ACP countries.

We have already talked about the policy of support to the economies of ACP countries to which the Community donates considerable financial resources.

We do not intend to question it as a policy of aid to the Third World.

Yet the physical import of this *sugar into the Community* which, already an exporter in her own right, is obliged to resell the equivalent of it after refining, constitutes economic nonsense, involving a real waste of transport expenses (300 million F).

Community funds would be better employed if they were used:
- to send sugar directly from exporting ACP countries to importing ACP countries, which require 1 million tonnes per year.
- consequently to encourage refining on the spot in ACP countries, which would represent a turnover of 400 million F.
- and to finance in the same way as Brasil, the production of alcohol as a fuel from sugar cane within the context of the search for petrol substitutes.

To transport raw sugar from *Mauritius and the Fiji Islands* to Europe for refining, and then to send the equivalent to Ceylon or Singapore, is far more a survival of the colonial pact than a healthy administration of Community money.

One cannot join the Common Market and at the same time put "Commonwealth preference" before Community preference.

British consumers should admit that the times when they could buy their supplies from *developing countries at very* low prices, are over. The Lomé Policy is a reaction against such practices. The United Kingdom and the other EEC countries wanted the producing countries of the old Commonwealth to have the same price as EEC producers. The English (1) must not now confuse the results of their domestic policy with those of the Common Agricultural Policy, to which they nevertheless adhered. Nostalgia for low pre-war prices is maintained *with internal electoral aims* vis-à-vis the British housewife.

Glucose and isoglucose.

We have shown that sugar produced from corn - often put across as being the latest fashion craze - is far less justified in Europe than in the United States: paradoxically, it requires imports and does not create job openings to the same extent.

Moreover, corn will never produce as much sugar per hec*tare as the currently used saccharifèrous plants.*

(1) Mainly a group of the Labour Party.

PRODUCTION PER HECTARE

	Sugar (in kg)	Fodder by products (in UF)	Miscellaneous (in kg)
Sugarbeet 45 t	6000	7500 (1)	–
Corn 6 t	3800	1500	oil: 180
Wheat 6 t	2270	800	gluten: 500

(1) Pulp 2300 fodder units (UF)
Leaves and beet tops 4000 UF
Molasses 1200 UF.

Once again it must be added that glucose benefits from a Community subsidy which has no justification whatsoever and the suppression of which is always talked about – but never actually carried out.

Also, that isoglucose has benefited from a total freedom of production which is highly unequitable in relation to sugar which, *for its part, has a quota* system and pays an export levy. The development of isoglucose in Europe has only been possible thanks to the perfect organisation of the sugar and sugarbeet market and the sacrifices made by producers.

The least that we can request in order to restore the principle of Community preference is that an end be put to these discriminations. This should be done by integrating these *products, from 1980 onwards,* into the Community regulation applicable to sugar.

2) SPECIALISATION

For reasons which it would be impossible to develop within this short paper, the Community authorities have submitted sugar to a quota system.

It is obviously the best producers who suffer most in this situation if allowance is not made for their efficiency within the policy which has been *maintained.*

To alleviate this disadvantage, of which it has taken good note, the Community has foreseen an allocation to each producer who goes above the basic quota (which in professional terminology is called "A" quota) of a supplementary quota ("B" quota). Producers must pay a production levy on this latter, made out to the FEOGA (Agricultural).

The master idea of this system is to allow the most efficient *producers* to prove the worth of their "specialisation", accepting that they are satisfied with a reduced receipt on "B" sugar.

But the Community has reserved itself the right to reduce, each year, the "B" quota of its producers, according to circumstances. *Thus it reduces that part of production which* is carried out at the most advantageous price.

That is what it did, too often acting under the influence of *the criticisms set out in this* White Paper, and of which we have endeavoured to show the injustice.

– in 1975/1976 the "B" quota allocated to EEC producers was 4.111 million tonnes of sugar;
– in 1976/1977 it was 3.197 million tonnes;
– then in 1978/1979 it dropped to 2.512 million tonnes.

For 1979/1980, the Brussels Commission would like to see it go down again – to 1.827 *million tonnes.*

Thus the most efficient producers find themselves penalised (the acreages given over to beet in France are smaller today than in 1974).

Moreover, this is at a time when there is a development of substitute products which do not find their roots – that being the "mot juste" – in Europe, and when an ACP sugar import system is being established. We have already shown the ridiculous structure of the latter. Should France pay, through under-employment, for the degradation of the basic principles of the Common Agricultural Policy? (10 factories out of 71 have had to close down during the last five campaigns).

Note on monetary compensatory amounts.

The monetary compensatory amounts are not particular to the sugar sector. It is nevertheless impossible to skirt over the competition distortions which they cause in this sector without a word.

As is known, they cause a reduction in the French domes*tic price and oblige French* producers to pay an export tax. During the 1977/1978 campaign, France exported 1.950 million tonnes of "A" and "B" quota sugar to the EEC and Third countries.

During customs clearance, exporters had to pay an overall amount of 605 million francs in compensatory amounts, or 1.30 F per kilo of exported sugar.

Despite the decisions made since the 1977/1978 campaign to reduce the compensatory amounts, the French domestic price underwent, again, in April 1979, a reduction of 10.6% – representing for the whole of the sugar sector an annual loss of receipts to the amount of 840 million francs.

CONCLUSIONS

The sugar economy in France is a strong point of the agro-alimentary sector and a master arm of external trade. It is threatened within the EEC by unjustified attacks which impress the high authorities of the European Council of Ministers.

It is thus important to return, as quickly as possible, to the basic principles of the Treaty of Rome by re-establishing unity of both prices and the market by imposing the same disciplines on all sweetener *products and by revising the* sugar protocol of the Lomé Convention.

It must be affirmed that exporting is not a disgrace: it is of vital interest to France. The attacks against sugar exports are one of the major weapons used by those who want to dismantle the Common Agricultural Policy.

Specialisation, which is a factor of economic progress, should be safeguarded and encouraged by the adoption of a *production regulation* which should allow plenty of scope for competition:
– either a system of free competition including uniform distribution of export costs among all producers of sugar, glucose and isoglucose;
– or a pliable quota system, to *include glucose and isoglu*cose and with a re-allocation of basic quotas and an adaptation of the "B" quota which would allow for the production actually achieved during the *preceding campaigns.*

If these measures to rectify the situation are not put into effect in 1980, the French sugar economy is liable to experience, in its turn, the fate of the metallurgy industry and involving other activities in the agro-alimentary sector, without the development of which it is not possible to improve employment and restore the balance of external trade for any length of time.

The measures proposed by *the Commission for 1979 un*fortunately do not head in this direction, and therefore should be revised.

THE COST OF SUGAR EXPORTS

	1973/1974	1974/1975	1975/1976	1976/1977	1977/1978	1978/1979	TOTAL
TOTAL TONNAGE OF EXPORTED SUGAR (in million tonnes)	0.980	EEC showing deficit – no exports cost of imports = 161 million U.A.	1.395	1.665	3.424	3.400	10.684
of which: outside quota sugar (1)	0.670		0.097	0.153	0.793	0.800	2.513
ACP sugar re-exports	0.310		1.298	1.415	1.333	1.300	5.656
sugar under joint expense of FEOGA and Community producers (2)	0.000		0.000	0.097	1.298	1.300	2.695
COST OF EXPORTS OF SUGAR UNDER JOINT EXPENSE (in million U.A.)	0.000		0.000	17.7	301.9	325.0	644.6
of which: levy paid by producers	0.000		0.000	121.3	185.9	192.5	499.7
net expense (–) or profit (+) for FEOGA	0.000		0.000	+103.6	–116.0	–132.5	–144.9
COST OF RE-EXPORT OF ACP SUGAR (in million U.A.) (paid for solely by the FEOGA)	12.2		51.3	259.1	310.1	325.0	957.7

(1) Outside quota sugar is, by obligation, exported to the world market at the expense of producers.
(2) Exports of sugar under joint expense is financed partly by the FEOGA and partly by the production *levies paid by the producers.*

Foreign policy

European emphasis

WHEN M. Jean Francois-Poncet, formerly President Giscard d'Estaing's chief aide at the Elysee Palace, was appointed as the new French Foreign Minister in November last year, it was not just a normal changing of the guard at the Quai d'Orsay. The nomination was intended as a signal that, until the middle of 1979 at least, France would give priority to European affairs.

M. Francois-Poncet's arrival at the "Quai" was judiciously timed to coincide with the final stages of the negotiations on the new European Monetary System (EMS) and the assumption by France of the chairman's seat of the European Community's Council of Ministers for a period of six months. For President Giscard intended to make it clear to his partners that France would be a dynamic president and use its position to give a boost to the flagging European enterprise.

The new Foreign Minister was clearly the right man for the job, as far as the President was concerned. Not only was he comparatively young at 50, but his loyalty to the President was unquestionable, an important consideration given that foreign policy remains the presidency's special preserve. Moreover, M. Francois-Poncet's European credentials were unimpeachable, which was another point in his favour.

Courage

The son of one of France's most famous pre-second world war diplomats, M. André Francois-Poncet, who was successively ambassador to Hitler's Germany and Mussolini's Italy—in which capacity he showed considerably more courage than his own Government—M. Jean Francois-Poncet, has had Europe in his blood, so to speak, since the very beginning. Only shortly after joining the diplomatic service, he led the French delegation in the negotions which led to the signature of the Treaty of Rome.

M. Francois - Poncet's first weeks at the Quai d'Orsay and as chairman of the EEC's Council of Ministers were less than happy ones, however. After all the trumpeting which heralded the EMS as one of the most significant steps forward that had ever been taken on the path towards European unification, France delayed the implementation of the new system pending agreement on the phasing out of monetary compensatory amounts (MCAs).

It has not yet been established with any certainty who was at fault for overlooking that particular problem. The French blamed the Germans for going back on an understanding which they said had been reached during the negotiations, but there seems also to have been a lack of consultation between President Giscard's staff and the French Agriculture Ministry.

Since, after several weeks' delay, the EMS finally saw the light of day, this question is now of little more than historical importance. But the incident does underline the overriding political motives behind France's enthusiasm for monetary union, and both President Giscard's and West German Chancellor Helmut Schmidt's refusal to be unduly influenced by technical obstacles when they worked out the scheme.

Growing disillusionment with President Jimmy Carter's foreign and economic policies, the U.S.'s reluctance to become involved in world problems other than its relations with the Soviet Union and China, the development of the latter country as a world power, the events in Iran, which demonstrated the lack of foresight of U.S. foreign policy, and the world energy crisis, have all strengthened President Giscard's belief that a united Europe has a real role to play on the international scene. In short, there is a vacuum to be filled.

In a major foreign policy statement to the French National Assembly last month, M. Francois-Poncet spoke of the gradual emergence of a "multipolar" world, which would replace the present largely bipolar system under which the U.S. and the Soviet Union rule the roost.

The new international situation, complicated by China's active role in world developments, would give Europe, on condition that it had a joint policy, much greater scope to play its part. But the French are nevertheless strongly opposed to "playing the China card against the Soviet Union. They see their own role and that of Europe as distinct from that of the two superpowers and China. Only if good relations are maintained with all three of the countries concerned can Europe hope to make its views felt.

It was significant, for instance, that in spite of France's desire to strengthen its diplomatic and economic ties with Peking, the French Government made it clear that it disapproved of the recent Chinese invasion of Vietnam so as not to jeopardise its relations with the Soviet Union.

The same caution has prevailed in France's Middle East policy. Though not expressing open hostility to the Israeli-Egyptian peace treaty, France continues to emphasise that the agreement falls far short of the global and lasting settlement which is required, since it does not solve the Palestinian problem.

By pursuing such an even-handed policy, President Giscard hopes to persuade the Third World that France is its special friend and that its policies are not influenced by super-power rivalries. Hence, what many outsiders consider to be his unrealistic proposal for an Afro-Arab-European summit, which would discuss the African continent's problems without U.S. or Soviet interference.

If President Giscard is placing so much emphasis on European co-operation, it is not entirely for idealistic reasons. He is under constant pressure from the Gaullists, his reluctant parliamentary allies, to preserve France's international role which was so successfully exploited by General de Gaulle. But unlike his illustrious predecessor, who was operating in a very different international context, M. Giscard d'Estaing is acutely aware of the political and economic limitations to the influence that can be exerted by a medium-sized power acting on its own.

Dramatic military operations, such as last year's despatch of French paratroopers to the Zaire mining centre of Kolwezi, are not, on the whole, typical of the French President's style. While the French were able to justify their intervention by invoking President Mobutu's specific request for aid and President Giscard won some temporary domestic popularity, the hostile reaction of many of the English-speaking African countries did not enhance France's image in the Third World. Being described as "the gendarme of Africa" is something that the French President can well do without.

Over-extended

Altogether, France has become politically and militarily over-extended in Africa. The cost of maintaining a total of some 10,000 troops in various African countries to prop up what, in some cases, are very unpopular regimes, has become prohibitive, and the political fall-out has sometimes been damaging to French interests.

Lately, there have been some indications of a military disengagement from at least the worst trouble spots in Africa. The Government has announced that it will withdraw its 2,000 troops from Chad as soon as the new regime in that country is firmly ensconced and is able to deal with outside military interference.

And France's token military aid to Emperor Bokassa of the Central African Empire has been suspended pending the outcome of an inquiry into Amnesty International's well-documented charges that some 100 schoolchildren were massacred in the country's capital in April.

Rather than conduct its African policy entirely on its own, with all the potential hazards that implies, President Giscard would like France to be associated more closely in the continent with countries with similar historic African links, such as Britain. The election of a Conservative Government in the UK may afford such an opportunity.

Indeed, the arrival of Mrs. Margaret Thatcher at the helm could open up a number of avenues which have remained closed for many years because of the previous Labour Government's negative attitude towards Europe. No doubt, it is entirely unrealistic to believe that the present Paris-Bonn axis, based on mutual interest and the personal friendship between M. Giscard d'Estaing and Herr Schmidt, could be replaced by a Paris-London relationship, as it was in the days of the late President Pompidou and Mr. Edward Heath. But President Giscard himself once proposed a kind of directorate of the biggest Common Market members and, whereas this abortive plan is unlikely to be resuscitated because of the hostility of the smaller members, the French would certainly favour a closer relationship with Britain, without in any way undermining their special links with Bonn.

If there are no illusions in Paris about the likelihood of the new British Government being less tough than its predecessor on matters like UK contributions to the Community's budget and a reform of the Common Agricultural Policy, its basic European commitment is felt to be much greater.

The French are past masters at hiding their nationalistic sins under professions of European faith and appreciate it when others do the same. At least, everybody will now be talking the same language, which was not the case under the Labour Government, whose disarming honesty about its European policy lost it a lot of sympathy in France.

Given the prospect of better relations between the two countries, it would be surprising if that old chestnut, Anglo-French nuclear defence co-operation, did not surface once again in the near future. President Giscard must realise that the logical conclusion of his European "grand design" demands some kind of common defence policy, including a pooling of nuclear capacity.

But the obstacles remain as formidable as they were in the past. France's nuclear independence is a sacred cow, which President Giscard does not wish or does not dare to slaughter because of the domestic political implications. Britain is a member of NATO's integrated military system, from which France withdrew more than a decade ago and has no intention of rejoining. President Giscard has even made it crystal clear that he will not allow the French nuclear force to be thrown into the proposed SALT 3 negotiations on the limitation of short- and medium-range strategic weapons stationed in Europe.

In the circumstances, it is difficult to see how much progress can be made in this field, though the two Governments may well try. But if they manage to reach agreement on more pedestrian problems within the European Community and start broadcasting on the same wavelength, that will already be a great advance on the lamentable lack of understanding which has characterised Anglo-French relations over the past few years.

R.M.

Banking

Impressive expansion

THE FRENCH banking system has developed by leaps and bounds over the last decade, in line with the country's rapid rise to the ranks of the world's leading group of industrialised and trading nations. As recently as the middle 1960s French banking was still largely inward-looking and opportunities for expansion and competition were severely limited by the strict regulations separating the activities of the deposit and merchant or investment banks.

These distinctions were abolished by the so-called Debré reforms of 1967, opening up an era of unprecedented expansion and an explosion of new branches throughout France, which became almost as numerous as the traditional French cafés. The increased competition at home, coupled with the reintroduction of credit growth ceilings and the threat of nationalisation of all banks not already under Government control from the Socialist-Communist Union of the Left, at that time riding the crest of a wave of popularity, subsequently induced French banks to look abroad.

From 1974 onwards there followed an equally impressive phase of expansion of French banks' foreign activities, which had previously tended to be restricted to regions of traditional French interest such as Indochina, French-speaking Africa and the Middle East. Both the nationalised and private banks began opening branches or became involved in co-operative ventures in regions and countries where they had always feared to tread before, notably North America. And French banks now rank among the leading managers on the Eurocurrency market.

At the same time Paris's increasing importance as a banking and financial centre has attracted an ever-growing number of foreign banks, including notably U.S. and Arab institutions, with several of the latter setting up their European headquarters in the French capital. An important British newcomer on the French scene, where Barclays and National Westminster have long been established, is the Midland Bank, which recently bought a controlling stake in BCT (Banque de la Construction et des Travaux Publics), specialising in the building sector. Out of some 380 banks registered in France at the end of last year, 106 were foreign, 12 more than two years previously.

Doubled

The net result of the successive phases of domestic and international expansion over the last 12 years is that French banks have doubled their number of branches and quadrupled their total assets. Four French banks—Credit Agricole (the mutual farmers' bank), Banque Nationale de Paris (BNP), Credit Lyonnais and Societe Generale—are now in the list of the world's top 10. And it is significant that a very high proportion of the earnings of many banks is generated by their foreign activities. An outstanding example is of the Banque de Paris et des Pays-Bas (Paribas), whose foreign operations accounted for well over 50 per cent of profits in the last two years.

Yet, despite this impressive record over the last decade, not everything is rosy in the French banking garden. Now that the phase of rapid international expansion is beginning to slew down, many leading bankers are again asking themselves where they will go next. The euphoria which followed the re-election of the Centre-Right coalition in March, 1978, has long ago died down. The sluggish economic climate, continuing credit controls, fast-mounting wage and running costs and the prospect of a slower rate of profits growth has brought back the traditional morose expressions to bankers' faces.

The so-called *encadrement du credit* (credit controls), which has long been the whipping-boy of the banking profession, has now been in effect for an unprecedented period of nearly seven years. There is little prospect, given the present economic situation, that it will be dismantled, despite all of the bankers' grumbles.

No doubt M. Raymond Barre, the Prime Minister, who is an outspoken advocate of the free market economy and the author of last year's measures freeing industrial prices, would dearly like to do so. But he is also a confirmed monetarist and refuses to abandon what he considers to be one of the authorities' most effective tools for fighting inflation, which will almost certainly move into double figures this year as a result of spiralling oil import prices.

The M2 money supply growth target has again been lowered for 1979 to 11 per cent from 12 per cent last year and 12.5 per cent in 1977 and the loan volume expansion ceilings have been made more restrictive. The big banks, whose loans subject to obligatory reserve requirements exceeded FFr 8bn in June, 1978, are allowed to expand their lending this year by only 4 per cent compared with 5 per cent last year, and lower targets have also been set for medium-sized establishments. Things have been made easier only for small banks with a loan volume of FFr 200m or less.

Tightened

What has made matters even worse for the banks is that regulations have been tightened for certain categories of credit—medium-term export credits, some types of housing loans and loans for energy-saving equipment—which have hitherto been partially exempted. The proportion of these loans which was made subject to growth ceilings last year, after being completely free from controls previously, was set at 15 per cent. This figure has been raised to 20 per cent for 1979.

The adverse effect this could have on banking business is clearly illustrated by figures announced by one of the leading private banks, Credit Commercial de France. While the bank's overall lending operations rose by about 12 per cent in

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The stock market

A sober year

THE FRENCH equity market has a lot to live up to this year after its extraordinary advance in 1978, which took it 60 per cent above its lowest point by the end of the year. Then, of course, it was the victory of the Centre-Right coalition that released the Bourse from two years of gloom and brought spectacular gains, particularly for those companies—including most of the French blue chips—that had been marked down for nationalisation by the Left.

Stockbrokers were quick to argue with hindsight that the upward twitchings of the Bourse in February, just before the election, showed that the market's infallible political nose was beginning to discount the result accurately. But at the time it seemed that the Bourse community was as surprised as anyone at the result, and certainly more relieved.

So far in 1979 the pattern has, not surprisingly, been a good deal more sober. The market is trading very much where it opened the year; on a slightly longer perspective, it has remained pretty well within the 70 to 80 band on the 1961 Bourse index since last July. It did look as though the market was about to break through 80 in mid-April, when full-scale trading started up again after a six-week strike by Bourse personnel, but the rally was not maintained.

The Paris market is notoriously vulnerable to sentiment, often at the expense of fundamental analysis, as foreign investors found to their cost earlier in the decade when they decided French equities were fundamentally cheap and bid them up heavily, allowing the French private investor to take handsome profits and slip quietly away.

Now bulls of French shares can point to the unprecedentedly friendly attitude of the French Government to financial markets in general and risk capital in particular. This attitude has been given concrete form in the law to attract savings into equities by allowing individuals to deduct FFr 5,000 a year from their taxable income if they increase their net holding of shares by this amount: the rule does not apply to bonds, which already enjoy substantial tax advantages. The abolition of price controls, which have stood at the centre of French Finance Ministry policy for as long as anyone can remember, is of great fundamental importance for industry and in general the Bourse feels that it is now being listened to by the authorities rather than despised.

There is a feeling on the Bourse that the recovery of the market last year did not fully make up the ground lost earlier. The lifting of price controls has already begun to transform the financial position of the French corporate sector — at last major companies are earning adequate returns in their home market — and the tax incentives for private investment should help further by facilitating the raising of new equity. For years before the election rights issues had been scarce in Paris and company funding was largely attuned to debt, much of it short-term. So at the beginning of 1977 French companies' investment in fixed and working capital was less than 60 per cent self-financed, and equity represented under 30 per cent of capital employed. As growth was slow and prospects for growth were poor, these ratios were extremely unhealthy.

Tonic

Later this year French companies should start announcing good figures for the first half of 1978—good in absolute terms and marvellous relative to a year ago—which must give a tonic to the Bourse. The profits recovery at Rhône-Poulenc and on the food side at BSN-Gervais-Danone, for example, has been most marked. In the autumn new funds should start flowing into the market as private investors, individually or through special unit trusts, take advantage of their tax allowance before the year end. Last year the Loi Monory probably brought about FFr 5bn to the Bourse: this time it may be rather more, and its effect on secondary market prices should be rather greater as no one is at present expecting quite the volume of rights issues — FFr 4.4bn—that was seen in late 1978.

The cashflow available for French equities has also been increased by pressure from the Government on the insurance companies to invest larger proportions of their portfolios in shares. But beneath these encouraging fundamentals, the Bourse has had plenty to worry about recently. Political troubles have come to the fore again in France; the militancy of the steel unions over the plant closures in Lorraine and the crescendo of bickering within the governing coalition have not been reassuring to the stockmarket. On top of this the rise in the crude oil price following the Iranian revolution is being particularly felt in France, a country with negligible energy resources of its own and already struggling with severe inflationary pressures in its economy.

The great successes of the Barre plan for the French economy have been to turn the country's trade deficit into surplus and hold the currency steady. Now the trade surplus is under some pressure, although the position on invisible account has strengthened considerably in the past few years and the current payments position is relatively healthy. Inevitably, too, the franc is beginning to cause concern, although the Bank of France's exchange controls have managed so far to safeguard the spot currency. But interest rates are rising and will have to rise further if the Bundesbank keeps German rates on an upward trend. The Bourse is a highly speculative market and day-to-day money at 6½ per cent was meat and drink to it. Now it is pushing through 8 per cent and the yield curve in the money market is steepening, with inevitable repercussions on the equity market's confidence.

The bond market has, naturally, suffered directly from this, and new issues had to be suspended in May when not even the normally docile French institutions were prepared to swallow paper yielding 9½ per cent when yields of 10 per cent were available in the secondary market. Higher rates and the persistently high borrowing demands of the public-sector bodies make it both unattractive and difficult for companies to raise much fixed-interest finance. So far the benefits of raising nationalised industry prices last year, which was supposed to make the public sector better able to finance its investment internally, have not come through.

The clearest indicator of the Bourse's nervousness over the past couple of months has been the volume of gold buying, which has been good for the gold-linked bonds but not much else. For once the higher premium of the French gold pool over the world market and of French gold coins over their gold value reflects a worldwide bull market in gold rather than French political panic: it is perhaps unreasonable to expect a Frenchman to buy anything else but gold when the price is going up.

Last year's sharp rise in the equity market probably owed very little to foreign buying: there was some good demand for French equities after the election and over the summer, but also a heavy volume of profit-taking from overseas investors who had been locked into the falling Bourse for years and were delighted to be able to get out at a respectable level. Brokers are optimistic that net foreign buying of French stocks will increase, but many foreign investors are still very nervous about Paris. Confidence is not improved by the chaotic position on the announcement of company results, which, like official economic statistics, can come at virtually any time, in France.

Disclosure practices are, however, changing for the better, largely thanks to the prodding and bullying of a reluctant corporate sector by the Commission des Opérations de Bourse. The COB is trying to impose advanced standards on the stock market and, although it is meeting with resistance from a hard core of obstreperous companies, it seems to be winning. The COB's work, together with the approval and encouragement that the Government is showing to the French securities industry, are turning the Bourse from an unruly and not quite respectable organisation into a mature stock market. In the long term this should turn out to be even more important than the rebirth of confidence in 1978.

Martin Taylor

The Credit du Nord building on Boulevard Haussman, Paris.

Expansion

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1978, credits not covered by official ceilings expanded by as much as 17.5 per cent. Export credits alone totalled FFr 3.8bn, which was 19 per cent up on the previous year.

The abolition of the credit control system has been advocated not only by many leading bankers, but in a controversial and as yet unpublished report on the reform of the banking system, commissioned by the Government from M. Jacques Mayoux, a former managing director of the Credit Agricole.

The main arguments against *encadrement* are plausible and have been aired on many previous occasions. In the first place, the system has not been effective in keeping down inflation, which has been running at an annual rate of between 9 and 10 per cent for the past three years and at even higher levels in one or two years since it was introduced. The monetary authorities would no doubt argue that inflation would have been even higher in the absence of credit controls.

Another criticism is that it reduces competition and incentive because banks are unable to increase their market shares, favours large banks who can spread their risks more easily and tends to give preference to large companies in the scramble for loans.

Given the Government's view that it cannot rely entirely on interest rate policy and "open market" operations for controlling the money supply, an early implementation of M. Mayoux's recommendations in this field is unlikely. But it is clearly being kept in mind as a longer term objective.

Reserve

One step in that direction has already been taken this year, when the Government decided to introduce new minimum reserve requirements for banks' lending operations. Apart from acting as a brake on credit expansion, the new system is aimed at improving the capital base of the big nationalised institutions, whose capital-lending ratios are extremely low by international standards—barely 1 per cent for the BNP, Credit Lyonnais and Société Générale.

Over a three-year transitional period ending in June, 1982, banks with capital lending ratios of less than 5 per cent will have to reduce some of the gap between their current ratios and the 5 per cent target, a requirement which has already provoked the hostility of the State-controlled commercial banks. Rightly or wrongly, they claim that the new regulations would do little to control the money supply, though they can hardly question the desirability of strengthening the nationalised banks' financial base.

The fact that they are State-controlled should not, under the mixed French banking system, which is supposed to ensure that the nationalised banks compete on an even footing with the private banks, exempt them from the better housekeeping standards applied by the latter.

The "Big Three" nationalised commercial banks have also been upset by the Government's declared intention to decentralise the banking system in the interests of a better distribution of funds at a regional and local level. This objective is strongly echoed in the Mayoux report, which proposes the creation of independently managed regional banks by the nationalised institutions, thus taking some of the decision-making out of the hands of the Paris managements. In this way, it is hoped, small and medium-sized businesses will find it easier than before to obtain loans from their local banks, which were previously dependent on their head office's authorisation.

One institution which has been highly efficient in its regional activities is the Credit Agricole, the giant farmers' mutual bank and now the third biggest bank in the world after the Bank of America and Citibank. But this co-operative institution has been the subject of a long drawn-out dispute in France because of the very great fiscal advantages accorded to it by the Government.

After strong pressure had been exerted on the authorities by the other banks, an agreement was finally reached last year under which the "green bank's" previously tax-free earnings—FFr 1.9bn last year and bigger than those of the "Big Three" nationalised banks combined—would be subject to the normal 50 per cent company tax. But this will be applied to only two-thirds of total earnings.

In return, the Credit Agricole will now be able to operate in towns of up to 12,000 inhabitants, instead of only 7,500 as before, and extend its activities to financing food businesses in addition to its traditional role of lending at very soft rates to farmers. From 1981 onwards it will be permitted to finance small and medium-sized companies with up to 100 employees in rural communities, even if they are not connected with agriculture.

This fits in with the Government's objective of stimulating local investment. But the other banks which have already looked askance at the opening of Credit Agricole branches in the big cities, even though the latter cannot grant loans in large urban districts, are still far from satisfied with the new arrangements and continue to accuse the "green bank" of unfair competition.

The chapter probably has not been finally closed, for the whole problem of decentralisation is at the core of further reform of the banking sector, which the Government is planning to announce before the end of the year.

R.M.

Restructuring industry

Sensitive issues

In the articles on this page Terry Dodsworth outlines how the Government has tackled the problems of France's "lame ducks" industries, among them textiles, steel and shipbuilding, and looks at what success the necessary restructuring process has had so far.

M. RAYMOND BARRE the French Prime Minister, frequently sounds in his public addresses like the economics professor he once was. And the message is always the same. The French must discover the virtues of the liberal economy. Companies must learn to compete, free from Government controls, and individuals must also learn that efficient—and lean—companies are the only real protection for jobs.

This thesis, familiar as it may sound, provokes several questions for a country where centralisation and dirigiste industrial policies have been bywords for centuries. Nevertheless, the Government has begun to practice what M. Barre preaches. Price controls are being steadily dismantled over the whole range of industry, capital allowed to move more freely into overseas investment, and somehow or other the nod has been given to industry that the Government will not oppose a shake out of the labour force.

The State withdrawal, however, is by no means complete. The French Government is as sensitive as any other to the effects on votes which mass redundancies can have, and it has tackled the major restructuring problems in the economy with a mixture of non-interference and intervention which has been deliberately designed to balance a tough attitude to financial results with a concern for employment and the social fabric.

This combination can be seen in the attitude to the textiles industry, one of the financially troubled sectors of the French economy. The textile companies have been suffering from all the classic symptoms of a traditional western industry coming under pressure from the new low-cost industries of the East. When this hit the largest company of all, the Boussac empire, the Government stood deliberately apart from the rescue attempts, even describing one of the financial plans as a rescue not worthy of the name. The company was eventually taken over by a competitor and the work of reorganisation put in train.

But at the same time, the Government has come to the aid of the Vosges area, the traditional region for French textiles, with funds for restructuring. This has helped to soften the immediate problems, and the hope is that it will push the industry towards the higher-quality, higher-return sectors of the market. The Government already claims some success with this approach.

Shelved

In the shipbuilding sector, plans to help with a general restructuring programme seem to have been shelved for the time being; but in steelmaking the Government has been unable to stay on the sidelines.

The case of steelmaking shows the dilemma facing an administration which has insisted on distancing itself from industry. It was clear, for a start, that the State could not remain entirely detached from a financial problem which was outpacing private funds, or from the social dislocation which would result from the mass redundancies which would follow any reorganisation plan. Second, it was at least arguable that the authorities had a duty to do something about the industry after years of cajoling it to expand and rigorously controlling prices—a factor which the steel companies argued, had been one of the main factors behind the incipient bankruptcy.

The Government's answer to this dilemma was to maintain the principle of private ownership by persuading the banks and other creditors to retain their interests in the steel companies and transfer their loans into a type of coupon which was almost equity. These loans carry virtually no interest and may never be repaid. The State itself took only a 15 per cent share in the new holding companies set up to run the steel industry.

However, it is clear that the Government has a considerable influence over the way the companies are run. This derives both from its influence over a number of the private shareholders—institutional investors and the like—and the fact that it has shunted sympathetic senior managers into the top positions in the two main companies, Usinor and Sacilor Sollac. These new managements have subsequently announced reorganisations which are designed to cut back the industry to a size which the Government clearly felt to be appropriate — although the authorities insist that the plans are essentially the industry's own.

It is also evident that the Government has worked closely with the steel companies in designing plans to soften the blow of redundancy for the steel industry workforce. Discussions with the trades unions have gone on not only between the companies, but also with Ministers, and the big aid plan for the troubled regions clearly goes hand in hand with the companies' plans to create about 22,000 redundancies. For this, the State has created a FFr 3bn special adaptation fund for industry, and is also paying for early retirement and retraining schemes.

The steel companies are confident that, with the economies they have made, they can move back into profits in about 18 months to two years. The critics are not so sure. Nor do they believe that the Government's general industrial policy is having the effects required of it. The most visible impact has been on unemployment, up 20 per cent a year ago, and now hit by the tough action taken in the steel sector: hence the jibe that the Barre-inspired reorganisations are plans for unemployment.

Equally, prices have not plummeted since they were liberalised, and investment has not yet shown the promised lift off. What the Government points to, however, is an improving exporting record—an increasingly important factor as oil imports go up—signs that overseas business in general is going well for French companies, and an improvement in the financial position of most of the big companies. If the Government's theory is right, the improving health of big business should provide the base for expansion into new industries with adequately funded investment.

Steel: controversial plan

IN PRIVATE, senior French ministers will admit that plans for reorganising the steel industry had been gathering dust in the Government in-trays for two or three years before M. Rene Monory, the Industry Minister, finally grasped the nettle last September. The inaction was due mainly to political factors. Steel is a basic industry which touches sensitive political nerves: It employs a large (154,000) workforce, and rationalisation was obviously going to hit employment hard and cost a great deal of money. Action therefore had to be carefully timed to keep the Government on course.

The Government's strategy, in electoral terms, was to launch the plan after the Parliamentary elections and well before the next Presidential campaign in 1981. In financial terms, it has been designed to refund the companies by taking on the main burden of debt repayment, while leaving ownership as a mixture of public equity (15 per cent) and private investors. And in economic terms it has been planned to bring productivity into line with the levels achieved elsewhere in the world.

When the Government stepped into the steel industry the manufacturers were suffering from two main problems. The first was a strictly financial one. Medium and long-term debt last year stood at about FFr 38bn, slightly more than turnover. Fifteen per cent of sales was being devoted to servicing this debt, and at the same time the industry was running into heavy trading losses attributable to top-heavy costs and the slack market conditions. Usinor, the largest producer, lost FFr 4.5bn in the three years up to 1977, and Sacilor FFr 4.3bn in the same period.

The second problem was productivity. Despite heavy investment in new technology from 1966 onwards, there had been little accompanying rationalisation of the workforce. Old plants had been kept on when they should have been scrapped, and the Government (or so it is claimed) had kept pressure on the steel companies to avoid redundancies. In 1976, for example, the French steel companies produced only 23.2m tonnes of steel with an average workforce of 155,000; by contrast, the German industry approached double the tonnage—42.4m tonnes—with a workforce only 36 per cent larger—211,400.

Policy

The reorganisation plan fits in with the Government's general industrial policy in so far as it is a step towards facing up to international competition. It has also preserved the notion of leaving industry to sort out its own problems to the extent that the Government has avoided direct ownership of the steel companies. But the rescue has nevertheless forced the Government to become so intimately involved in the sector that it has effectively the ruling voice. It is calculated that about two thirds of the equity is now in the hands of the State or financial institutions which are under the influence of the authorities.

The Government has also shunted new management into the top echelons of the companies: M. Claude Etchegaray, who has taken over at Usinor, and M. Jean Mayoux, at Sacilor-Sollac, are both men well-known in the corridors of power.

Restructuring has involved one significant merger, between Usinor and Chatillon Neuves-Maison, which was itself the result of an earlier merger. Sacilor-Sollac had already come together, in a combination of steel-making and rolling facilities. Some critics believe that the reorganisation should have gone further to bring the whole of French bulk steel-making under one roof, but the Government did not go that far, and the only further rationalisation being considered would be to bring some of the specialist steelmakers into one of the larger groups. The finances of these two companies have now been reorganised by changing most of the debt into forms of non-interest-bearing debentures—participatory loans, as the French call them, which will bear only the slightest interest for five years, and will only be paid off when, and of course if, the companies can afford them.

Over the next two years, if things go to plan, the reorganisation will take in a swingeing closure programme. Total capacity in the French industry is being reduced from about 33m tonnes a year to somewhere around 25m tonnes (output has been running at only a little over 20m tonnes for the past four years), with bulk steel-making concentrated on the big modern sites at Fos, near Marseilles (owned jointly by Usinor and Sacilor-Sollac), and Dunkirk (owned by Usinor). This will mean the closure of a number of ageing plants at Longwy in Lorraine and Denain in the north (mostly owned by Usinor), and a similar programme in the Moselle valley in Lorraine (in steelworks owned mainly by Sacilor). At the same time the companies are aiming to concentrate production on higher quality steel and on partly fabricated or more complex products with a higher added value.

In order to raise the productivity level, this reduction in capacity (bringing it closer to actual output levels of recent years), will have to be accompanied by cuts in the workforce. Some 16,000 jobs were cut in 1977-78 under the first Government-encouraged rationalisation plan. Now a further 22,000 will be trimmed.

These plans have run into stiff union opposition because most of the easy redundancies, in terms of close-to-retirement workers have already been pushed through. Here again, the Government hand can be seen, in terms of a big FFr 3bn special fund for industry, designed to give exceptional grants to attract employment-creating companies to the depressed areas. With this scheme, and a delaying of the redundancy programme, it seems as though the overall reorganisation will be pushed through on the general lines planned by the Industry Ministry.

Shipbuilding: future in doubt

IF THERE had been a French "steel plan part two" it would have been in the shipyards. Like the steelmills, French shipbuilders suffer from chronic overcapacity in common with their western competitors. Like steel, the shipbuilding industry is one which the Government would like to see concentrated into at most two big lumps, better organised industrially and financially.

The day of reckoning seemed close last year. Although the smaller shipyards were relatively well off, with enough orders to keep them working at least into 1980, the five big groups, based in Dunkirk on the Channel, Nantes and Saint-Nazaire on the Atlantic and La Seyne and La Ciotat on the Mediterranean, were on the edge of an abyss. If the industry could not sort itself out, was it not time for the government to do it?

There are two reasons why it did not, one political and one economic. By the turn of the year it was clear that the "steel plan" was going to cause more union trouble than the Government had bargained for. The bankruptcy of France's leading ship repair group, Terrin of Marseilles, had shown that this was possibly even more dangerous territory. Communist CGT union branches, strong in every sector to do with ports—dockers, merchant seamen, shipyard workers — already had the smell of mass redundancies in their nostrils.

At La Ciotat, just east of Marseilles, the Arab-controlled CNC shipyard, still working but with a complete blank on new orders, had given notice to a fifth of its workforce.

In March this year, M. Joel Le Theule, Transport Minister, was, however, able to promise that there would be no more sackings in 1979 and that "France cannot do without shipbuilding."

The main difference between shipyards and steelmills was that the shipping groups still had money — especially Chantiers de l'Atlantique in Saint-Nazaire and France-Dunkerque, backed respectively by Suez and Empain-Schneider. They were not weighed down by debt like the steel producers and had not yet started making ships at a loss.

The combination of their financial reserves and Government subsidies, offered since late 1977 at a rate of about FFr 1bn a year, has enabled them to take on uneconomic orders. In 1978, new orders were barely a quarter of the 420,000 gross registered tonnes delivered that year, and only a fraction of those for foreign account. The order book, having reached 5.9m tonnes in 1974, was back to 1965 levels — 1.46m tonnes. If the rate of inflow had continued, the industry would have been heading back this year to where it was in the mid-1950s.

But in January France managed to tie up a Polish deal, much smaller than it had hoped for but giving Saint-Nazaire and La Ciotat two 24,000 tonne container carriers each — four to five months' work for the first, six to eight months for the second.

This lifebelt—expensive for everyone except Polish Ocean Lines, who are paying FFr 540m, while the French Government is putting up FFr 450m and the yards themselves carrying the remainder of FFr 210m—has been followed by other foreign and domestic orders for the other yards.

CNIM at La Seyne has also received special aid in order to secure an offshore rig contract. Assisted contracts, some of which may be tied to development aid, plus the EEC's "scrap and build" plan may tide the industry over until 1983, when it is hoped life will be easier.

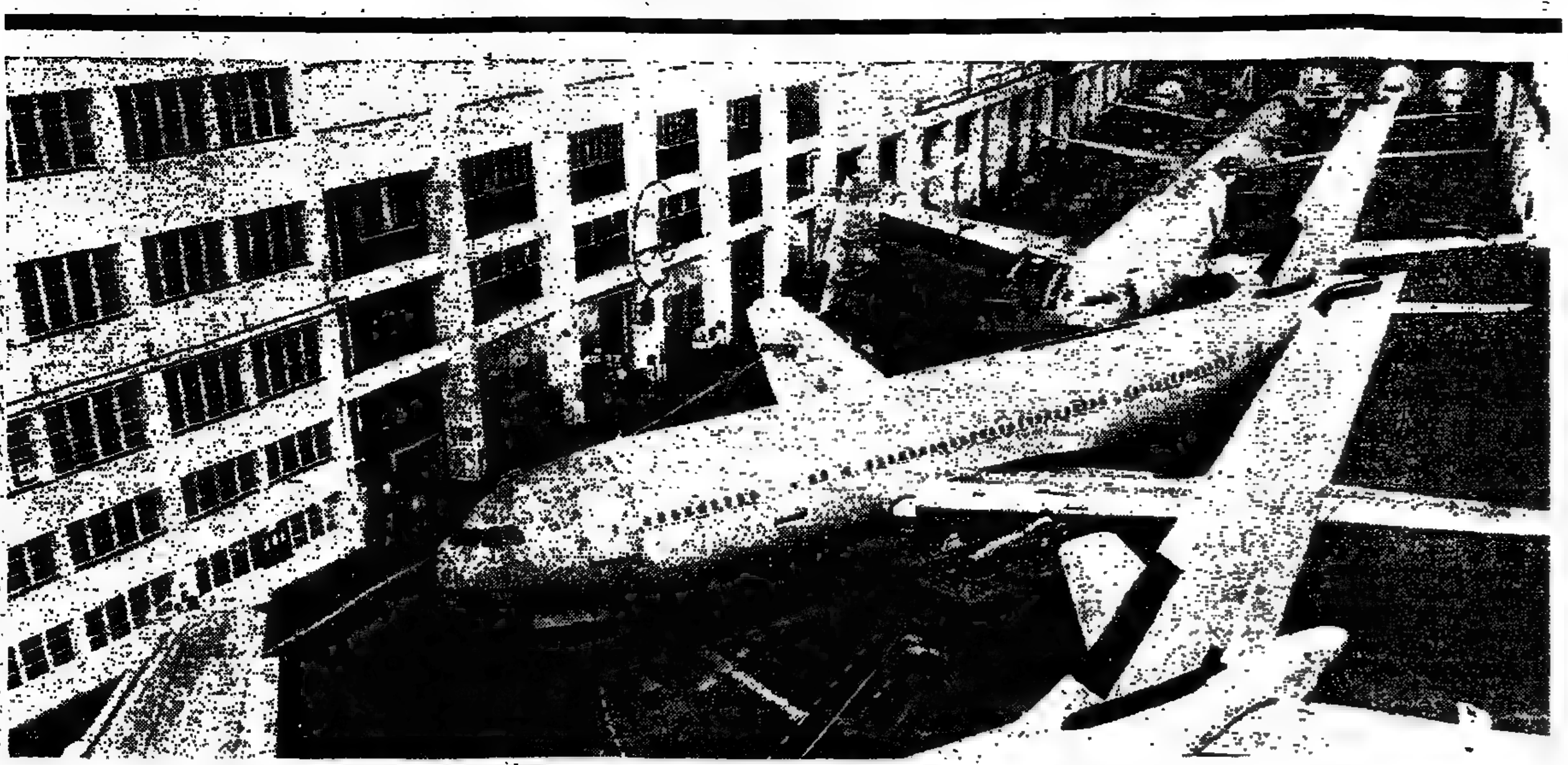
But the emergence of new shipbuilding nations places doubts over the industry's future thereafter. Will it ever be able again to build ordinary ships such as bulk carriers competitively?

Rumours are still afoot about restructuring. The Government was already pushing ten years ago for a regrouping with Chantiers de l'Atlantique and Dubigeon-Normandie getting together on the one hand and France-Dunkerque and the two Mediterranean yards on the other, with the idea that the two might later move closer. But the biggest yards took another direction. In 1976 Chantiers de l'Atlantique was merged with Alsthom, heavy engineering branch of the CGE electrical combine. The following year Empain-Schneider merged its Dunkirk shipyard with Societe Metallurgique de Normandie in a similar base-broadening operation, and made overtures towards the Herlicq Group, which runs CNIM.

CGE has recently shown signs that it is unhappy about carrying its current ship losses and is said to be seeking an agreement with France-Dunkerque.

It is hoped that diversification in the shipyards may take up 1,500 of the industry's 23,500 direct jobs. Another 1,000 or so jobs may be cut back through early retirement, and some alternative industries may be set up near the shipyards with the aid of the Government's special adaption fund, which up to now has been concentrated on the steel regions.

FRANCE VII



The A300 Airbus is now in great demand with the world's airlines. Potential sales of over 400 aircraft are estimated

Aerospace

Profits on the horizon

THE FRENCH nationalised airframe manufacturing company Aerospatiale ran up its eighth year of consecutive losses in 1978. But the result nevertheless had hopeful elements. The company was able to show a substantial turnround in its business, with losses cut from the FFr 447.4m ($101.7m) in 1977 to FFr 100m ($23.3m). This has led *to a tentative forecast of profits* in 1979, which should show a substantial increase in turnover from the FFr 10bn of last year to FFr 12bn.

The improvement at Aerospatiale is a firm sign of the upturn in the French aerospace industry after years of problems with the Concorde programme and heavy subsidies for development programmes which have had to be funded with taxpayers' money. Aerospatiale says that its results last year were particularly helped by its missile *division*. But its forecast of improvements in the future is [illegible] dependent on the [illegible] of its aircraft [illegible] cular the Airbus construction programme. The European Airbus building programme is now being rapidly stepped up to meet escalating demand for the aircraft.

Hopeful

Apart from the continuing success of the Dassault company, with its range of military and executive jets, the other hopeful sign for the French industry is the breakthrough of the new SNECMA CFM-56 engine in world markets. Like Aerospatiale, SNECMA is a nationalised concern. Unlike the airframe manufacturer, it has made sufficient profits during the last five years to pay out dividends, making a profit last year, *after tax and charges*, of FFr 70.5m. But its future clearly depends to a significant degree on the success of the new engine, which has been jointly developed with General Electric of the U.S. and which has eaten up considerable development capital on the way.

During the gestation period of the CFM-56, conceived in 1971, SNECMA *has come under* considerable fire for the basic conception of the engine. With a 10-tonne thrust, the unit is designed to fill the niche in the market represented by smaller airliners. Critics felt that there would not be sufficient demand from this area to cover the substantial development costs of the engine, estimated at about FFr 2bn *for SNECMA alone*. A flood of orders, however, all of which have come in the last 12 months, has done a great deal to dispel doubts about the success of the unit, which appears to answer the need for more economical and quieter engines in its sector of the market.

The first of this wave of orders came in March 1978 from the United Airlines group of the U.S. Since then sales have risen to 500 at the present moment—an order book which should bring SNECMA some FFr 1.6bn. So far, these customers have come from the U.S., where airlines such as Delta and Flying Tiger (a big freight carrying organisation) are re-equipping their DC8 fleets with new engines. But *there are many other potential* clients, both for re-equipment programmes around the world, and from new aircraft. It is expected, for example, that the engine could be a contender for the proposed new Airbus Industrie 130 to 160-seater JET airliner.

The General Electric link will also be important for the future development of SNECMA. Apart from the CFM 56, the two companies have other developments under way to complete a range of engines *with thrusts of between 10 and* 25 tonnes—the CF6-32 and the CF6-50. In addition to this, it is designing a new range of military engines on its own account—the M53—and is combining with Turbomeca to produce the Larzac unit. On the basis of these activities the company is forecasting a future of steady growth from its consolidated turnover of *FFr 3.4bn last* year.

The breakthrough into substantial orders for the Airbus has been just as sudden as for the CFM-56. The aircraft went into service with Air France in 1974, but after that orders came extremely slowly until the end of 1977. By that date firm orders stood at 55, with a further 40 options. Since then Airbus has grown so quickly that it can point to a total potential sales of well over 400 aircraft.

Some 65 of its first airliner, the A300, have already been delivered by end-May. To this can be added another 73 firm sales plus a further 162 options, which are more than likely to be taken up. The rest of the list comes from the A310 aircraft now under development and due to go into service in 1983. This will be a smaller aircraft than the A300, seating about 200 against the larger aircraft's 250. But even before its trials, this derivative of the A300 has been able to cash in on its stablemate's success to the extent of pulling in 52 orders and 55 options.

The flood of interest in the A300 seems to confirm the view of Airbus Industrie's chief executive, M. Bernard Lathiere, that the world's *airlines are* ready to welcome a competitor to the dominant American airframe companies once they can be shown a successful competitive product. M. Lathiere has stressed that this takes time. Marketing teams have to be built up, along with the necessary technical back-up teams, and the record of operating conditions built up. *With the years of* service for the A300 now accumulating, it is becoming clear that it is a competitive product in terms of operating economies, and this is the basis on which the sales teams can now market the aircraft.

For France, the importance of the Airbus lies in the effect of sales on the balance of payments and the employment *opportunities thrown up by the* aircraft building programme. Ownership of the company is not French, although some of the partners have shown suspicion of the numbers of Frenchmen in senior positions in the company. For the A300 programme the equity was split between France and Germany, the main partners, and CASA *of Spain, with Fokker of Holland* as an associate. For the A310 programme, the entry of the UK into the consortium has altered the equity split: it is now owned by Aerospatiale (37.9 per cent), Deutsche Airbus of West Germany (37.9 per cent), British Aerospace (20 per cent) and CASA of Spain. Belgium has entered as an associate.

Influence

Deliveries of the Airbus this year have had a considerable influence in maintaining France's positive balance of payments. Not all of the currency flow from the programme is in France's favour—parts of the *aircraft are constructed by other* partners in the consortium—and as the building operation advances, more and more overseas sub-contractors are likely to be brought in. Nevertheless, the acceleration of deliveries will clearly be important for the country. Present plans are to build up output from current rate of just under three aircraft *a month to about eight* by 1984.

Equally, this expansion will have a positive impact on employment in the Toulouse area, a region which has suffered from unemployment problems in the past. Airbus has talked about creating up to 30,000 new jobs from its plans. These include projects for further new aircraft, including the JET and the more speculative B-11 four-engined long-range aircraft.

The big question mark over Airbus is when its sales will feed back into profits for Aerospatiale. *The company says* that it is still not building the aircraft at a profit, despite the increase in the rate of production. Whereas the Airbus unit in the past has been underutilised, it is now suffering from the higher costs of lifting the rate of output.

But in due course Aerospatiale is clearly hoping to reap benefits from the Airbus lines as demand feeds through into longer and more economic production runs. The Airbus consortium itself is now beginning to see the positive prospect of being able to build at this sort of rate. It has talked of a total build of 660 A300s and A310s to break into profits, and it now reckons that this target is well within its sights. If it can *achieve this objective*, it will mean adequate work for Aerospatiale to the end of the 1980s.

After that, of course, there are prospects of further aircraft from the Airbus consortium, particularly if by that time the company has broken into its promised profits—the two aircraft are costing in the region *of FFr 9bn to develop—and has* established itself as a truly competitive aircraft producer.

Terry Dodsworth

AIRBUS SALES

TO MAY 1979

Airlines	Deliveries	Orders	Options
A300			
Aerocondor	1	1	—
Air Afrique	—	1	—
Air France	11	23	12
Air Inter	5	6	—
Alitalia	—	8	3
Cruzeiro do Sul	—	2	2
Eastern	7	23	9
Egyptair	—	3	4
Garuda	—	6	6
Germanair	4	4	—
Hapag Lloyd	1	2	—
Iberia	—	4	4
Air-India	5	6	3
Iranair	—	6	3
Korean	7	8	—
Laker	—	10	—
Lufthansa	10	11	—
MAS	—	3	—
Olympic	2	2	3
Philippines	—	2	2
PIA	—	4	6
SAS	—	4	8
Singapore	—	6	6
South Africa	4	4	—
TEA	2	2	—
Thai	6	8	—
TOA	—	6	—
Varig	—	3	—
TOTAL	65	162	73
A310			
Air Afrique	—	2	—
Air France	—	5	10
KLM	—	10	10
Lufthansa	—	25	25
Swissair	—	10	10
TOTAL	—	52	55

Energy

Shortage begins to bite

OVER THE last few weeks, France has caught the energy disease in a big way. Ways of dealing with the world shortage of oil and spiralling prices have become the French Government's main concern and have completely overshadowed the European elections. There have been a spate of diplomatic initiatives from Paris. France's plan submitted to its EEC partners, for controlling the Rotterdam spot market for oil has been followed by the announcement that President Giscard d'Estaing will make further important proposals to deal with the energy crisis at the European Council's meeting in Strasbourg on June 21 and 22. And M. Jean Francois-Poncet, the French Foreign Minister, recently made a lightning visit to Washington to protest to President Carter against the U.S. subsidy for imported heating oil.

France is, it is true, in the chair of the European Community's Council of Ministers until the end of June, and it is therefore natural that it should adopt a leading role in an area which affects the vital interests of all the member countries. But the reasons behind the French Government's agitation have at least as much to do with France's own problems as they do with its desire to be a dynamic and effective spokesman for Europe. For France's economy is particularly vulnerable to the shortage of oil, as it is to rapidly increasing prices for this essential commodity.

In spite of all the efforts they are making to reduce their reliance on other countries, the French are still dependent on imports for nearly 75 per cent of their energy requirements. And oil is still by far the biggest single type of energy consumed in the country.

Last year, oil represented 58 per cent of the country's energy consumption, and even in 1985, when nuclear energy will have taken a big leap forward, oil's share of the total will still be 40 per cent. What is more, France's main suppliers are heavily concentrated in the Gulf, which makes the country's economy particularly sensitive to any political, social and economic upheavals in that region.

Luckily for France, Iranian oil made up only about 9.5 per cent of total oil imports last year. If the same kind of events that happened in Iran had taken place on the other side of the Gulf, the situation would have been disastrous for France, as for many other western industrialised countries, for Saudi Arabia accounts for 36 per cent of France's oil supplies and the Gulf emirates for nearly 17 per cent.

Success

The French have had some success in diversifying their sources for oil. Thus, an agreement was reached early this year, under which Iraq, which supplied France with more than 17 per cent of its oil needs in 1978, would step up its deliveries in the current year by 25 per cent to 25m tonnes. Similarly, the French have signed a long-term contract with the Mexican State company Pemex for the purchase over a 10-year period starting in 1980 of 5m tonnes of Mexican oil per year.

But while all this helps, it is no more than a drop in the ocean of France's needs, nor does it do anything to relieve the pressure of rocketing oil prices on the economy. Up to April this year, when it was thought that the price increase would be limited to about 16 per cent in 1979, the Government was not too worried. With the economy in an upward phase since the autumn of last year and the balance of payments in much better shape than it had been for some years, the authorities thought that the oil price rises could be absorbed without too great a shock.

That sanguine estimate has now had to be revised. Even the imperturbable M. Raymond Barre, the Prime Minister, has become uncharacteristically gloomy about the situation, predicting that oil prices might rise by as much as 30 per cent this year. The latest forecasts suggest that France's oil import bill could well go up by as much as FFr 15bn this year, the sum paid in 1973 for the country's total oil purchases.

The magnitude of the problem was dramatically underlined by a weekly magazine which pointed out that to obtain FFr 15bn in foreign exchange, France would have to sell the whole of its wheat production or an extra 600,000 cars. The extra cost of oil this year is also six times as much as France's FFr 2.5bn trade surplus in 1978.

In the recent past, the Government has managed to limit the damage by setting annual money ceilings for the country's oil imports. This year, however, it is already clear that the FFr 58bn ceiling will be greatly overshot—by some FFr 4bn according to the most optimistic estimates, or by at least FFr 10bn according to more pessimistic forecasts.

It is hardly surprising, therefore, that the authorities have already begun to scale down their growth predictions for 1979, which were, in any case, always considered to be somewhat exaggerated by international and other domestic forecasting institutes. GNP is now expected to rise by 3.4 per cent by the Government, but only by 3 per cent by the OECD. The balance of trade, though not the current account, will probably be in deficit again this year, and the rate of inflation is expected to rise sharply. Just as it was hoped that inflation was well on the way to coming down to between 8 and 8.5 per cent, it is once again running at an annual rate of close to 11 per cent.

Given their very great dependence on outside sources of energy, the French long ago realised that they were obliged to go nuclear. Though they were neither the first nor the only one to have embarked on an ambitious nuclear energy programme, it is certainly true to say that the French have been the most consistent and dynamic in carrying it out. The authorities have been helped by the fact that the environmental forces opposing the building of nuclear power stations, though constantly growing, have not been as powerful as those in the U.S. or some of France's neighbours, such as West Germany.

It is significant, too, that the traumatic Three Mile Island nuclear reactor accident has not deterred the Government from accelerating its nuclear programme, even though the pressurised water reactor (PWR) involved in the accident was of the same type as the French are using. Not that the authorities are turning a blind eye to the public safety aspects of their nuclear programme. Teams of French experts were immediately dispatched to Three Mile Island to re-examine the safety procedures in the power stations. But they stressed that French reactors, constructed by Framatome under licence from Westinghouse of the U.S., were not of exactly the same design and not vulnerable to the same sequence of events.

Be that as it may, the nuclear programme is being maintained. The country had no serious alternative but to go nuclear, other than economic recession and a loss of independence, M. Andre Giraud, the Industry Minister, recently told the National Assembly.

The Minister also stressed that electricity of nuclear origin was now 20 per cent cheaper than electricity produced by oil-fired stations.

The Government's programme, confirmed by a special cabinet meeting in April, provides for the building of 5,000 MW of nuclear capacity per year. The target for 1985 is for France to have a total nuclear electricity capacity of 40,000 MW, producing 55 per cent of the country's consumption of electricity, compared with 13 per cent last year, and representing as much as one-fifth of France's total energy requirements. As a result, the country will be saving something of the order of 43m tonnes of oil equivalent.

At present, France already has 15 nuclear power stations in operation. Another 27, representing a total capacity of 26,000 MW, are in the process of construction and another nine, with a total capacity of 10,500 MW have just been authorised.

In spite of this great boost to the nuclear sector, the Economic and Social Council has warned that France's reliance on energy imports could still be of the order of 60 per cent in 1990 if urgent steps are not taken to conserve energy. The efforts which have already been made in this field, though not to be dismissed, are clearly a far cry from what is still required and it may well be asked whether the French Government will not, in the end, be obliged to adopt a much more restrictive pricing policy and even have to contemplate the introduction of rationing.

Limit

For the moment, M. Giraud has categorically ruled out rationing of either domestic fuel or petrol, but a batch of measures, including steps to limit energy consumption in offices and homes, saving petrol by reducing speed limits and the development of economy cars, are due to be announced before the European summit in Strasbourg.

The Government - financed Energy Economy Agency is expected to sign an agreement in the near future with the two big French car manufacturers, Renault and Peugeot-Citroen, under which it will help to finance the development of a prototype vehicle saving about 30 per cent of current petrol consumption of a car of equivalent size.

Overall, the official aim is that 35m tons oil equivalent (mtoe) (1978 energy consumption totalled 182mtoe) should be saved cumulatively by 1985, of which 15mtoe by industry alone. This last figure is equal to the total consumption of super petrol in France in 1978.

By the end of last year, total energy saving by the country was estimated to have reached some 15mtoe, which leaves about another 3mtoe to be saved annually in the period up to 1985. And this assumes that industry which, alone, spent FFr 26bn on energy in 1978, rising to an estimated FFr 30bn in the current year, should make savings some FFr 1.5bn annually from now on.

At the moment, the financial resources of the Energy Economy Agency, which grants subsidies of up to 25 per cent for investments in energy-saving equipment, seem to be inadequate. Nor does industry appear to be taking full advantage of all the subsidies and soft loan facilities which have been put at its disposal for energy-saving investments.

It has been calculated that to achieve the 3mtoe annual energy savings target will require investment of about FFr 7.5bn per year. But annual investment in this field has been running at no more than about FFr 1bn per year since 1976. The Energy Economy Agency's budget last year was only FFr 540m, which will almost certainly have to be doubled if the authorities' ambitious energy-saving target is to be reached.

R.M.

Labour

Unemployment worries

UNEMPLOYMENT HAS come to dominate not only other labour questions in France, but also, to a large extent, the forum of political discussion. On a scale the country is unaccustomed to, the number of registered job-seekers, now around 1.3m, is more than six times the figure at the beginning of the decade. In contrast to Britain and other countries, the recent trend has continued upwards, with a rise of over 20 per cent in the last 12 months.

Although the employers' federation, the CNPF, sees little change in this level by 1980, the general expectation is for a progressive rise over the next few years. The measure of how important this outlook is in the political context was taken in March, when President Valery Giscard d'Estaing was forced to call an emergency debate on unemployment in the National Assembly, under pressure from all three of the major party formations except his own group, itself a minority within the governing majority.

The debate, the first of its kind in recent years, was a damp squib only because the Gaullists backed away from bringing the Government down.

The focus of France's national obsession with the employment problem has been steel, an industry faced with drastic cutbacks to bring it into line with EEC capacity plans. The outcry which followed the announcement of 21,000 redundancies last year prompted a battery of Government measures to cushion the impact with social benefits and alternative jobs. The campaign led by the two main left-wing unions, the CGT and the CFDT, has shown up both the strengths and the weaknesses of the union movement.

Relatively well represented in the industry, the unions managed to mobilise not only the steelmills but also whole regions in Lorraine and the north, where the job losses hit hardest. The Government and the big steel companies, brought under the State's wing in the industrial shake-up, were forced to discuss the plan with the unions, which succeeded in getting some of the cutbacks delayed.

Like the proverbial beer-glass, it could be seen by the unions as a half-success or a half-failure. The still unresolved battle leaves the Communist-led CGT apparently alone in its refusal to bow to force majeure and limit itself to discussing how redundant workers are to be assisted, as the more moderate Force Ouvriere did in the last cutbacks, affecting 16,000 steelworkers, in 1977.

Divisions exist not only between the different unions, but also between branches and between regions. While the doomed steel towns of Denain and Longwy were staging a joint front of unions and professions, the modern steel centres of Dunkirk and Fos-sur-Mer were going strong, and then Fos-sur-Mer went into a prolonged dispute for higher pay.

The result appears, above all, to be demoralising. After a nationwide steel strike on February 16, after a CGT mass march in Paris five weeks later (which ended in an outbreak of violence bearing little relation to the march itself) and after two months of deadlock at Fos, the same reactions could be heard: "We've been had" and "What's the use?" Many steelworkers have already accepted voluntary departure payments.

The two main union federations have made little progress towards bridging their differences. N. Edmond Maire, leader of the 1.1m-strong CFDT, has since the 1978 general election kept clear of the "trap" of political platforms and concentrated on specific and attainable claims for pay and conditions. He was censured by the CFDT's strong extreme-Left lobby at a congress last month but scraped through with 57 per cent backing for his more moderate policy.

Criticism

M. Georges Seguy's CGT, twice as big, has also had to face internal as well as external criticism for its close association with the Community Party. It has made an opening to non-Communists in its senior organs (with a second Socialist in its 16-man executive committee), but remains party-oriented and by that token suspect in the eyes of all the other union leaders.

But despite split ranks, the spread of labour conflicts, mainly of a densive nature, has enough elements to worry the Government. Places like Longwy in Lorraine and the shipbuilding towns are periodically explosive.

The employment problem can not only be traced to the economic crisis of post-1973 and French industry's need to face international competition. There is also the fact, as President Giscard d'Estaing said in a recent TV interview, that many more people are arriving on the labour market than are leaving it—a combination of low First World War birth rate and a high late-1950s birth rate.

The Government has just brought out its third plan for stimulating industry to take on young people. It both extends and prolongs the previous arrangement, lasting for three years instead of one—until the other side of the 1981 presidential election.

Companies—not just small companies as before — are offered 50 per cent exemption from their social charges for a year for the school-leavers they employ (employing someone at a monthly wage of FFr 2,000 is usually reckoned to cost a company FFr 3,200). The plan also gives incentives for apprenticeship and training, with added provisions for employing other "problem" categories such as dole-receivers over 45.

With 650,000 young people expected to arrive on the labour market this year, the plan is geared to employing 450,000 annually at a total cost over three years of some FFr 10bn.

The employers' federation has meanwhile started negotiations with the unions on changes to the 40-hour working week, which has been law in France since 1936. The CNPF has for months been pushing for a more flexible system of annual quotas, and is prepared to reduce it from the current 1,920 hours in exchange for guarantees against absenteeism. The flexible system would allow, for instance, for an extra week of holiday or for mothers to take Wednesday afternoons off to fit in with school times. The unions, having latched on to the European campaign for a 35-hour week, start from a position of wanting to negotiate on a weekly basis, but the two sides appear to be edging towards common ground.

Reduction of working hours, partly offset in pay packets, was one of the main elements in an employment plan commissioned by M. Giscard d'Estaing from M. Robert Fabre, former leader of one of the opposition parties, the Left-wing Radicals.

But the plan appears to have fallen on stony ground, since it was not clear how its various elements—jobs in hospitals and public services, repression of black market labour, retirement before 65, boosts to selected industries—were to be financed, apart from a wealth tax, which the Government does not want.

Reorganisation of French industry is likely to continue producing large-scale redundancies for some time. Telephone factories in Brittany are among the latest problem areas. The number of redundancies in France rose 10 per cent last year, and there have been over 1m since 1975.

The favourable treatment gained for redundant workers five years ago, giving them 90 per cent of their pay for up to a year after departure, is due to disappear under a revised scheme agreed between employers and unions after nine months of negotiations. The basic dole rate and conditions for the lowest paid are improved in exchange for a progressive reduction in redundancy compensation. The rate now starts at 75 per cent of pay, or alternatively 65 per cent plus a fixed amount, and decreases every quarter. The new scheme, which goes into operation next month, is seen by the employers as encouraging the transfer of labour.

According to M. Francois Ceyrac, CNPF President, between 500,000 and 600,000 of registered unemployed are temporary, on the dole for less than three months. Discounting other categories such as old people and unqualified workers, this reduces the number of "real unemployed" to 400,000. By this reckoning France, which President Pompidou once told him "would not put up with 500,000 unemployed," still has a little way to go.

David White

هكذا من الأصل

Motor industry

Car market booming

Ɛ PROBLEMS presented by energy crisis in Western ope do not appear to have through to the average nch motorist in any meanul way. The French are ing more cars today than before, and their tastes are ing year by year to slightly er and more powerful lels. They are also using e fuel: the Energy Ministry ulates that petrol consump- has gone up by 12 per cent e the *oil crisis of 1973.*

ut this picture of constantly anding activity is only one t of the French motor istry today. A second is the e patchy performance of the ponents sector, pulled g by the car manufacturers, not, as yet, asserting their independence. Third, there the commercial vehicle ufacturers, deep in ression which has now gone for three years, and ggling hard to maintain any ence of a significant posi- on the European market. ally, there is the question of t is being done to face up rising fuel prices—behind scenes a great deal is now g on.

ome of the success of the manufacturers, as well as problems of the truck pro- ers, can he traced to fiscal ors. There seems to be e doubt that the car pro- ers were greatly helped by Government's decision not rein in the economy so ply as other European ntries after the outbreak of oil crisis. Incomes advanced dily, *if at a lower rate than* he early 1970's and with this gression went a growing and for cars. More recently, relaxation of hire purchase rictions on cars at the inning of this year has ped to keep demand buoyant. qually, however, the horities have pulled back rply on the public works grammes which are the life- od of certain sections of the y industry. This retreat has been helped by the tighter ncial measures designed to g inflation under control, which have led, initially at it, to a shake-out in French ustry rather than a revival. *il there is some relaxation* on the public works front, or until the long-promised invest- ment revival commences, it is unlikely that the commercial vehicle producers will be able to pull out of their present depression.

So *much for* the general background. More specifically, the French industry has gone through an extremely eventful period of change in the past 12 months. This flurry of activity has seen the forging of a number of *new—or attempted* —alliances, with a significant emphasis on overseas expansion.

Change

Both French car companies have been affected by this change, with PSA Peugeot-Citroen taking over Chrysler Europe, and Renault forming a link with American Motors of the U.S. The PSA takeover is, on the face of it, the more far-reaching of these two moves. It gives the French private vehicle manufacturing group the largest production unit in Western Europe, the largest stake in the French market and the biggest potential share of total European sales. At the same time, the two companies have linked up financially (Chrysler Corporation of the U.S. has taken 15 per cent in PSA) in a move which may *lead to marketing* and technical collaboration.

The Renault agreement with American Motors specifically concerns operations in the U.S. Renault will now have at its disposal the American Motors *sales network to distribute its* own vehicles, and may, in about two years' time, start to build its own R18 model in AM's American factories. Thus the deal gives Renault a position in the most important world market for motor cars which it would have taken many years to create by normal methods of building a distribution organisation.

Both Renault and Peugeot are also involved in the moves in the truck manufacturing sector. The most significant change here is the deal between Mack Trucks of the U.S. and RVI, the Renault truck subsidiary, under which Mack will distribute the French company's medium-weight vehicles in North America.

The deal also gives the French nationalised company 20 per cent of Mack, financed by a \$50m capital increase and \$65m of convertible loan stock which Renault is raising from its European resources. While showing that a State-owned company can manoeuvre in the open market—it has often been assumed that Renault, with a capital structure formed from *State-owned equity and com*mercial borrowings, would be excluded from takeovers—the agreement clearly gives the French company a significant foothold in the U.S. The formal link, Renault argues, will force both partners to work more positively towards achieving their objectives.

Chief among these targets is to reach 1,000 sales through Mack's 800 outlets in the first year of operation, starting in September. By 1984, the two companies hope to have reached a total of 10,000 units in a market which buys roughly 200,000 medium-weight models a year in the 9-15 tonnes range which RVI will be supplying. Many commentators believe that these objectives should not be too difficult to achieve. Mack is one of the strongest American truck companies in its own right, with a high reputation in the heavy-weight vehicles in which it specialises; and at the same time, there is an accelerating move at the moment towards diesel-powered vehicles of the type RVI will supply.

PSA's truck manufacturing ambitions are not so clear. The company inherited a commercial vehicle arm from Chrysler Europe, made up from Chrysler's light- and medium-weight vehicles from the UK, and the heavier lorries produced by the former Barreiros group in Spain. It also makes some light vans in the Peugeot and Citroen subsidiaries and is investing in a joint manufacturing plant with Fiat in Italy to produce a very small commercial vehicle. PSA has insisted that it will keep on the ex-Chrysler activities. But it is clear that it will need to invest heavily to do so, in order to build up a European sales network and to refine the range of vehicles.

Activity in the components sector has also involved the vehicle companies because of their emergency plan to create 6,200 jobs in the Lorraine area. These will come from component factories — pistons (Renault), aluminium casting (Renault and Peugeot), engines (Peugeot-Citreon) and general components (Peugeot-Citroen). All of these new projects display *the drive in the French motor* industry in general to create larger units, in collaboration with other companies if necessary, in order to achieve a better economic scale.

Attempt

Similar thinking *lies* behind the attempt by Ferodo, the friction materials, clutch and vehicle electrics group, to take over Ducellier. Ducellier, another electrics group in which the shares are split between DBA (51 per cent), a subsidiary of Bendix of the U.S. and Lucas of the UK (49 per cent), is set to become one of the main vehicles for the move into vehicle electronics in France. It would therefore fit ideally into the Ferodo group, which already has a virtually complete range of electric components in its grasp, while *giving the larger company* a sound base in the sector of the components industry which is expected to grow the most rapidly over the next decade.

The results of the battle for control of Ducellier, now joined between Ferodo and Lucas, may not be known for some time. But what is clear about this move, as with the development at Renault and PSA, is the urge towards creating larger companies capable of standing up to U.S.-based competition. This ideal has become an article of faith in the French industry, and the urge to achieve a broadly based domestic strength was one of the main reasons behind the eventually successful moves to stand up against Ford's outline project to build a car factory in France.

At present, these projected threats still seem a long way away. The French car industry is booming right across the board, threatening to add another record year to the records achieved in 1978. By the end of the first quarter, production was up by 3.5 per cent (to 875,000 cars), exports by 4.6 per cent (to 448,000), and registrations by 10.3 per cent (to 518,000). In March exports achieved a monthly record of 165,000 units.

The big incalculable in this growth pattern remains energy. France is so dependent on imported oil that it has to do all it can to rein in the petrol bill, and it is an open secret that significant measures are on the way. *This will* include advertising and stronger application of anti-speeding restrictions. But it is also expected to lead to important changes in manufacturing. During the last few years there has been general growth in the scale of French cars (the average engine size has grown from 1,149cc in 1970 to 1,293cc this year). But Renault is now thinking about launching a smaller car than the R5, and the Government is expected to announce shortly a State-aided research programme into more frugal vehicles. This will be investigating lighter components, methods of reducing traction and aerodynamics and the like.

What the authorities would like to see are fuel savings in the new generation of vehicles of around 25 per cent on present models. To achieve that may be the most important development of all for the future of the vehicle industry.

T.D.

Exports

Precarious balance

ANCE'S TRADE accounts nowadays in fairly constant plus, but not safely enough comfort. By the end of last r the country had managed lose the gap and end up with FFr 2.3bn surplus, having ered a deficit nine times as only two years before. The *four months of this year* produced surpluses, adding *to FFr 1.7bn on a seasonally* usted basis, with exports ing regular monthly records. wo *obstacles* threaten to ak this settled stride. One, iously, is the increased price energy imports, which is *ly to make the trade balance* carious by the end of the r. The other is an above-rage inflation rate, which affect the competitivity of e French exports.

ut if France has weak points ot only an incurable deficit raw materials, but also a litional shortfall in its trade manufactured goods with industrialised world—it also its strong ones.

he major export successes ak down into half a *dozen* egories. The motor industry established itself as the gest exporter and produced a surplus of FFr 24bn last r. The two car groups sell their production abroad, le foreign cars take up *only* th of the domestic market— lowest proportion in the C. Five French cars are orted for every foreign car orted. France has etrated about 9 per cent of UK market, 10 per cent of st Germany's and 20 per cent Italy's.

Metro

he motor industry's performance is backed up by other nsport sectors—aerospace and ways. In the last 10 years nce has sold as many metro ems as its main competitors together, *and has swept the* in American market with tracts in Brazil, Mexico, le and Venezuela. The eran metro, in Iran, which ld have been worth some 8.5bn to French companies, ns to have fallen by the olutionary wayside, but has n partly compensated by a -stage contract in Cairo.

gypt may also provide a st to France's telecommunications business in its *choice of* new phone system, while ers for French electronic hanges are coming in thick fast.

apital goods have traditionbeen a deficit sector, but nch sales to the richer eloping countries have eased rapidly. The same goes for engineering services, where Government guarantees have helped to win contracts in Africa, Eastern Europe and the Middle East, especially in petrochemical projects. Construction companies are strong in the same areas, their latest success being an airport contract in Baghdad, Iraq.

Finally, there are armaments. *French military sales rose* sharply in 1977, a year when at FFr 27bn they covered half France's oil bill, and dropped back to FFr 25bn last year. This reflected a lull in aircraft sales, which fell to FFr 12bn from FFr 19bn. The break-up of the Egyptian-based Arab arms manufacturing project, for which the French had several contracts, provides a further setback, but new generations of Mirage aircraft are expected to swell order books again.

Like almost every other country, France is wildly optimistic about selling to China. Last month 18 French banks signed a FFr 30bn credit line for the export of capital goods to China, the largest buyer's credit ever accorded in France. It covers half the territory outlined in an economic co-operation agreement signed at the end of last year. Although the only firm deal so far is for two nuclear plants, worth FFr 10bn, Chinese projects in view include a steel complex and an integrated aluminium plant.

There is a risk, however, that the reality will prove less than the hopes. The Chinese agreement is complicated in that it provides for French companies to be paid partly in produce. And anyway, the precedents for giant-scale pacts of this kind are not promising. Reading the 1975 newspapers, one finds that Franco-Soviet trade was destined to treble by this year, totalling FFr 54bn in the period. With progress much slower than that, President Giscard d'Estaing has *just signed a 10-year economic* agreement, providing for French banks and companies to participate in Soviet industrial complexes and destined to triple Franco-Soviet trade . . . this time by the mid-1980s.

Iran, of course, has been a bigger disaster. Orders worth FFr 35bn for French industry were predicted a few years ago, and Iran became the most promising of all France's new *markets and* its main nuclear client (four more and bigger reactors were to have gone to Iran after the two France started building).

Hopes have now been transferred to Brazil and Mexico, which the French President has also visited recently. Propsects in Algeria, where Renault is in line *for* a car plant project, have meanwhile been revived with a FFr 4.5bn deal for the French engineering group Technip in collaboration with Italy's ENI to build a third gas liquefaction plant at Arzew.

The Government's General Planning Commission has urged co-ordinated action by companies and authorities in the *most promising export zones*— in particular the oil-producing countries, where French sales last year stagnated at just under FFr 30bn, and the applicants for EEC membership.

At present some 70 per cent of French exports go to places within a 1,500 kilometre radius of Paris. Outside that circle they are strong in Francophone Africa and a few other countries like Nigeria, but in growth areas such as Mexico and Saudi Arabia the French market share is small, and France is poorly represented in Asia, Scandinavia, Australia and North America.

Effort

A lot of effort is now being made to attack the U.S. market (witness the success of Perrier mineral water) and to improve France's balance with the EEC. These are its two main deficit areas, although its EEC trade figures improved last year thanks partly to a much larger surplus with Britain).

The Government is anxious to promote agro-industry, and is *pressing for a co-ordinated EEC* policy on exports to third countries, based on medium-term contracts. Priority is also being given to State backing for engineering and capital goods contracts in order to keep in line with the conditions offered by competitors. France is generous in its use of mixed credits, where commercial credits are lumped together with development aid.

*At the same time, the authori*ties are seeking to widen the range of French goods exported and to involve more companies in exporting. In 1977, 500 French companies accounted for half the export total, and the number of companies concerned overall — 17,000 — was much smaller than in, say, West Germany.

Among companies employing over 500 people, only 40 per cent exported *more than a fifth* of their output. A reserve of export potential lies in France's small- and medium-sized industries but, a succession of Foreign Trade Ministers have sweated unavailingly to get it out.

David White

Electronics

Making up for lost time

SINCE THE early 1960s, the French have been obsessed by the notion that they were falling behind in the race towards the new technologies. The U.S. was seen as a great challenge, developing fast in electronics and those industries acutely *influenced by electronics* developments. But in the 1970s, the French have been catching up, often by combining with American companies or by in some way borrowing from their technology.

These changes can be seen the most clearly in the computer and telecommunications industry, both sectors in which the French were clearly trailing a decade ago. In the more fundamental area of electronics, developing and manufacturing micro-chips, French industry is still well behind. But even in this sector, French companies have signed a number of collaborative deals in the last two years, mostly with American companies, and most of which aim for developing an expertise in a specialised niche.

The development of the computer industry is the classic case of how the French set out to face up to the challenge from the *other side of the Atlantic* and then decided to develop by co-operating with one of the American challengers. The result today is a company — Cii Honeywell Bull — which is now a healthy exporter from France, showing signs of establishing itself as a profitable enterprise and now cutting itself off from the purse strings of the State.

Cii Honeywell Bull came together as the result of a complex series of mergers and attempted mergers as the Government set about rationalising the French computer industry at the beginning of the 1970s. Cii itself had been formed in a collaborative deal between French industry (mainly the giant electrical company CGE) *and the State, but its progress* had been so patchy that Government funds had been poured into research and development work. By 1974 it was clear that something would have to be done to stem the drain on State funds and give the company a more competitive size.

Various solutions *were looked* at, including a European computer combine embracing Siemens of West Germany and Philips of Holland. But in the end the only practicable alternative — and not one particularly welcomed by the Industry Ministry — was to combine with the *Honeywell* Bull group, itself an amalgam of American (Honeywell Information Systems) and French (Machines Bull) interests.

Cii Honeywell Bull emerged as a company in which the American group retained 47 *per cent of the shares* and French interests the rest, through a combination of the State, Machines Bull and CGE. It is an autonomous group, directed by its own French management, and enjoying its own research and development facilities of roughly the same size as HIS. In most respects it operates on about the same scale as its American partner.

Where the two companies come together is in combinging their marketing and technical resources. This means, in effect, that each partner tends to take the lead role in marketing in certain defined areas of the globe and that research work is coordinated to prevent overlaps. Marketing and research are the two key disciplines where size is an important factor in the industry, and where competitors to IBM, able to act on a world scale in all sectors, have to try to approach the scale of the American giant. The link between HIS and Cii Honeywell Bull is designed to produce a group capable of facing up to *this competitive situation.*

The French group has continued to draw on State aid since the merger. But the grant of FFr 1.2bn had a strictly limited duration of four years and is due to end this year. After that the group will have to be self-financing. According to the management, the change in its status will not pose great problems, since the group has already moved into modest profits, discounting the subsidy, and has a strong order book for the foreseeable future.

Whereas the French reluctantly gave way to a deal with the Americans in the computer industry, the approach to rationalisation in the telecommunications sector was to seek an essentially domestic solution. The reorganisation took place only five years ago, when the French had only one significant telecommunications company of their own, CIT-Alcatel, a subsidiary of CGE. With the French Post Office—the PTT—determined to press ahead with a big modernisation programme based on completely digital exchanges, the authorities set about organising a second large company in the sector. This was achieved by persuading two of the main foreign competitors, the ITT subsidiary LMT, and Ericsson's French subsidiary, to sell out to Thomson CSF.

Orders

These two relatively large groups were subsequently fed with a mound of orders from the French PTT, which began the 1970s with one of the most antiquated telephone networks in Europe. The French have been installing telephone lines at the rate of about 2m a year, building up to a total of a little more than 12m in 1978. The aim is to continue at roughly the same rate, to achieve a target of at least 20m lines by 1985.

On the basis of this generous flow of orders, the equipment manufacturers have been able to finance the heavy investment in the modern digital switching systems which are taking over from the traditional mechanical varieties. But they have also gone looking for export orders, which are necessary both to help cover costs and to provide a continuing workload in the future, when the PTT's expansion and re-equipment programme begins to tail off.

CIT-Alcatel, with its established reputation, has been the most prominent in this drive, has built up a strong position in the Middle East and North Africa, and recently landed its first order in the Far East, which tends to lie in the Japanese zone of influence. More recently, the Thomson *CSF group won its first* big overseas contract with an order from Russia to build a parts manufacturing factory. Combining the exports of these companies with those of the ITT subsidiary CGCT and the co-operative AOIP group, France is now exporting about 20 per cent of its telecommunications products. The aim is to build this up to 30 per cent, particularly by developing sales in the U.S. where overseas companies have a very limited showing.

In the field of basic integrated circuit technology and manufacturing, France, like the rest of Europe, is now trying to catch up on the U.S. As in the UK, the authorities are relying on a mixture of State subsidy and co-operative deals with American companies to make up for lost time, although there are doubts in some quarters about the logic of this policy. Some industrialists argue that the joint projects are simply opening up the French market to American companies without any reciprocal benefits for the French on the other side of the Atlantic.

The basis of the French plan is a FFr 600m ($136m) aid scheme to companies setting up in the electronics field. Projects are vetted by a central committee under the Industry Ministry and include the following:

1—Thomson CSF, the largest of the French micro-circuitry companies, has signed a deal with Motorola of the U.S. giving its subsdiary Sescosem access to certain of Motorola's technology in bipolar integrated circuits. This will involve second source manufacturing, indicating that the partners will seek to produce interchangeable products.

2—ECFIS, the joint subsidiary of Thomson CSF and the French Atomic Energy Authority (CEA), has also signed a deal with Motorola in the field of integrated N MOS circuits. These Metal Oxide semiconductor circuits, which are expected to account for 75 per cent of the world market in integrated circuits by 1990, form a basic element in the French plans for developing their industry. This deal will also involve interchangeable production.

3—St. Gobain-Pont-A-Mousson has linked up with National Semiconductor in a company 51 per cent owned by the French group, to make integrated N MOS and C MOS circuits.

Matra, the aeronautics company, has linked up with Harris of the U.S. for a manufacturing project in C MOS circuits (Metal Oxide Semiconductor Complementary).

These schemes, while not big job creators as yet — they have produced between 1,500 and 2,000 jobs in France so far — are regarded by the authorities as an important base element in the total electronics, telecommunications and information field. France still remains in deficit on its electronic components trade (imports of FFr 4.5bn against exports of FFr 4.3bn), and that is not a happy prospect for a Government which has pinned its industrial policies on building a positive balance of trade.

T.D.

Agriculture

A need to adapt

ENLARGEMENT OF the EEC presents the French farm sector with probably its biggest single problem since the Community was founded. Fear of what will happen when Spanish wine, fruit and to a lesser extent vegetables are free to cross the Pyrenees is *firmly implanted in many areas* of the south-west where farmers depend on similar produce.

Opposition to Spanish entry is being kindled by political interests from both Right and Left—by the Gaullists and more so by the Communists, who are strong in the Mediterranean areas. Defiant Communist posters stating "We won't up*root our fruit trees*" were already appearing in the region last year.

Not everyone, by any means, agrees. Industrialists in the south-west are strongly in favour of Spanish and Portuguese entry. They are at present watching the spectacle of wood from the Landes region, one of the biggest forests in Europe, being exported to Spain only to reappear in France as Spanish-made furniture. They want to get at the Spanish market, as do Breton dairy farmers.

The problem is really for the wine growers, for whom memories of France's wine war with Italy are still fresh. It does not concern the wine growers of Bordeaux, who have the quality of their product to defend them, but the owners of the less distinguished vineyards, particularly those which cover the Herault and Aude departments.

The vine did not capture these areas until late last century, when thanks to the railway they were able to produce table wines for Paris, a market previously supplied by vineyards close to the capital.

Until two or three years ago, the emphasis was uniquely on producing as much as possible, an approach known as *faire pisser la vigne*. In order to beef *up their piquette*, low in alcoholic content, producers mixed it with stronger Algerian wine. When imports of Algerian wine were stopped, the quality went down. The more recent practice *is to use Italian wine for the* admixture or "coupage." On a strictly unofficial basis, Spanish wine is imported for the same purpose. What the producers now face is the prospect of this same, strong *Spanish stuff* being sold in competition with their own *bibine*.

Competition from a country with lower farm wages, a bigger area of vineyards than France's and considerable room for agricultural development poses what one leading French agronomist terms "almost insoluble conversion problems."

*The solution being put for*ward comes in two forms—quality improvement and adaptation to other kinds of farming. The hitch is that wine in most of Languedoc-Roussillon is pretty well a monoculture, that it is very intensive, that a family can live off a few acres of vines and that it is very hard to replace.

Efforts have already been made to improve the quality and price of the Midi's wines—with notable success in the case of Cotes de Provence but less so further east. The Perpignan area has set the example for conversion, with a "*green belt*" of vegetables grown under cover. But change is going to take a lot of persuasion and quite a bit of time.

The Midi's problems now form one of the main planks of the Government's attitude towards the Common Agricultural Policy. Apart from pressing, in the opposite direction from Britain, for higher prices (it wants 8 per cent on balance for the year), France is seeking two improvements in the EEC system—a more effective export policy and "more justice" for *the Mediterranean region.*

Guarantees

Since 1976 it has succeeded in getting improvements in the Community's wine policy, with better guarantees for producers. M. Pierre Méhaignerie, France's young Agriculture Minister, now wants further reforms for fruit and vegetables, extra products brought into the reference price list and more aid for processed foods before enlargement. He also wants strict conditions on Spanish and Portuguese imports, a long transition period and safeguard clauses to ban imports if they cause market disruption. Finally, after succeeding in knocking down France's monetary compensation amounts (the ransom for which France held up the European Monetary System), he is pressing for "compensatory measures" to cover the difference between French production costs and those of new members.

The need for adaptation is not limited to the sectors affected by Spanish competition. A new set of conditions has emerged since 1960, when M. Michel Debré gave France its first overall farm policy. The EEC, to which France's farm growth has been largely geared, is *self-sufficient* — and when France has a good year or a bad year, Holland and West Germany tend to have one, too. Energy costs have soared. Regions have developed in unequal fashion, and France has two farm sectors, one modern and one backward. The range of incomes is the widest of any category of French society, esti*mated at 1:63. Farmers'* real income has in recent years grown more slowly than other people's: last year, unexpectedly, average purchasing power declined despite a 7 per cent rise in farm production.

Low incomes fuel the rural exodus; the agricultural population has dropped without enough alternative jobs being created in country areas; although the principle of family holdings is held high, the number of farms is dropping by 2.4 per cent a year; there are some 60 per cent fewer farmers now than at the end of the war.

Farmers face increased capital needs and an ever-growing burden of debt, which rises faster than output. A lot of the debt burden is carried by young farmers and those who have been encouraged to expand, such as pig and cattle breeders in the west.

The decision to develop intensive farming U.S.-style, relying *heavily on imported soya and* other intermediary products, is now criticised by, among others, the official agricultural research institute, INRA. The balance of French farming is also seen as leaning too much towards sectors where it has a technical advantage, such as cereals. Between 1959 and 1977, farm output overall rose 70 per cent, but animal products only 46 per cent, despite, for instance, Brittany's remarkable development in beef and pork.

A new "framework law," promised before the 1978 general election and tabled in *time for* the European election (the peasant vote may have shrunk, but it is still carefully wooed), aims at strengthening the fragile points and attenuating the inequality between regions.

The *Loi d'orientation* is less far-reaching than the reforms of the early 1960s, but makes some significant changes—tinkering, for instance, with the Napoleonic Code on land inheritance rights. Under this, children have had equal shares, so that either a farm is split up or one son has to pay off the others. The new proposal allows for settlement costs either to be reduced, by knocking down the price co-inheritors can claim, or to be by-passed altogether, by making co-inheritors partners in a joint venture which the farming son runs. This lightens a big element in the debt burden.

Although it has a third of the Nine's farmland and floats between second and fourth positions among the world's food exporters, France only just regained a positive net balance in its farm trade last year after two years in deficit. In order to fulfil its still unused potential, it will have to find more markets outside the EEC. "Who knows?" mused a Government technocrat involved with the worried *viticulteurs* of Languedoc. "They might only have to produce sweet white wine instead of red for the Americans."

D.W.

Nuclear energy

A confident approach

"FRANCE HAS a large, aggressive and, I believe, comprehensive nuclear programme," a senior French nuclear official wrote in the U.S. journal *Science* earlier this year. Since those words appeared, and notwithstanding the American accident to a nuclear reactor of the same basic type as the French are installing, France's Council of Ministers has authorised construction of a further nine big reactors. "We have no choice—it is nuclear energy or recession," remarked M. Andre Girand, Minister for Industry.

French nuclear policy for a decade past has been characterised by bold, often courageous decisions in pursuit of the goal of relieving the nation's dependence upon oil imports. Britain's Prime Minister, Mrs. Margaret Thatcher, made it plain that she was most impressed with French progress when she visited Tricastin earlier this month. Other nations have attacked — and sometimes still attack — its estimates of the cost. But with the exception of Britain and Norway, with their fortuitous finds in the North Sea, no industrial nation is so far along the road to independence in energy policy.

The latest tranche of nuclear capacity approved by the Government for a start in 1980-1981 brings to 40 the number of big light water reactors (30 of 900MW capacity, 10 of 1,300MW capacity) operating or under construction for Electricité de France. French manufacturing policy has been to learn on the smaller size of reactor before embarking upon the "standard" 1,300MW unit. How well it learned might be gauged from the performance of the first two 900MW units last year, their first full year of operation. The Fessenheim units achieved load factors of 67.9 and 64.5 per cent in 1978. They brought France abreast of Britain and West Germany, with about 13 per cent of its electricity generated from nuclear fuel.

Nuclear power is no self-indulgence on the part of people like himself, as some seem to believe, said Dr. Michael Pecqueur, chief nuclear adviser to the French Government, in an interview recently. "It's not a toy we're asking for, but a way of providing people with electricity. And we have to provide enough electricity to avoid political and economic damage in the future."

The French target is 20 per cent of its primary energy (50 per cent electricity) by 1985. But Dr. Pecqueur also points out that the nuclear programme has a big impact upon domestic employment. For every kilowatt-hour of energy generated from oil, two-thirds of the cost is spent outside France. For every kilowatt-hour of energy generated by nuclear power, 90 per cent is spent in French industry.

Behind the big programme of construction of pressurised *water reactors, placed* by EdF in the hands of Framatome, is a heavy investment in nuclear fuel services. France has some indigenous uranium available at costs competitive with international prices. But, as Dr. Pecqueur points out, uranium supplies are sufficiently well distributed worldwide to be dependable and a sufficiently small part of nuclear costs to be stockpiled without undue strain. France has set out to provide the technologies needed to turn uranium into nuclear fuels for an international market.

Foremost among these technologies, and the industrial investment which the British Premier found so "very impressive," is the gas diffusion factory at Tricastin in the Rhone Valley for the enrichment of uranium. Commissioned earlier this year, when it produced its first enrichment, the Eurodif plant is expected to build up to its full capacity of 10,800 tonnes of separative work annually by the end of 1981. The process is French, based on the diffusion technology developed for the military enrichment plant at Pierrelatte nearby. But the finance has been found with the help of four other countries, each needing a secure source of enrichment. In addition, Japan and Switzerland have recently placed contracts.

In preparation for the reprocessing of spent fuel from its own reactors and from many reactors as far afield as Japan, the French are also investing heavily in the nuclear factory at Cap la Hague, near Cherbourg. A chemical separation plant originally designed to reprocess 500 tonnes a year of uranium metal fuel from France's first-generation *nuclear* reactors is being modified to reprocess, by 1984, 800 tonnes a year, of fuel from light water reactors. In addition, two large storage ponds are being constructed at this cliff-top site to take 1,000 tonnes of spent fuel apiece.

Reprocess

Then the plan is to build two further chemical plants, of 800 tonnes capacity apiece, designed from scratch to reprocess spent fuel and solidify the highly radioactive waste.

The technology for the management of this waste has already been demonstrated at Marcoule, a plutonium research centre, where for a year a pilot plant has been solidifying into black glass *some 200 tonnes of* acid liquors remaining from early French reprocessing operations. Transformed into glass ingots, the 200 tonnes of liquor have been reduced to 40 tonnes, stored in stainless steel drums, which are then deposited one on top of the other in boreholes beneath the pilot plant. So impressed with the AVM *(atelier de vitrification de Marcoule)* process are other countries that some—Britain among them—have expressed interest in licensing the process themselves.

At Creys-Malville on the bank of the Rhone between Lyons and Geneva, in a picturesque region once riven by glaciers and well stocked with medieval castles, the French are well advanced in constructing the world's most advanced energy production plant. This is the 1,200MW fast breeder reactor Superphenix, successor to its *highly successful Phenix* prototype fast breeder reactor, in operation since 1974.

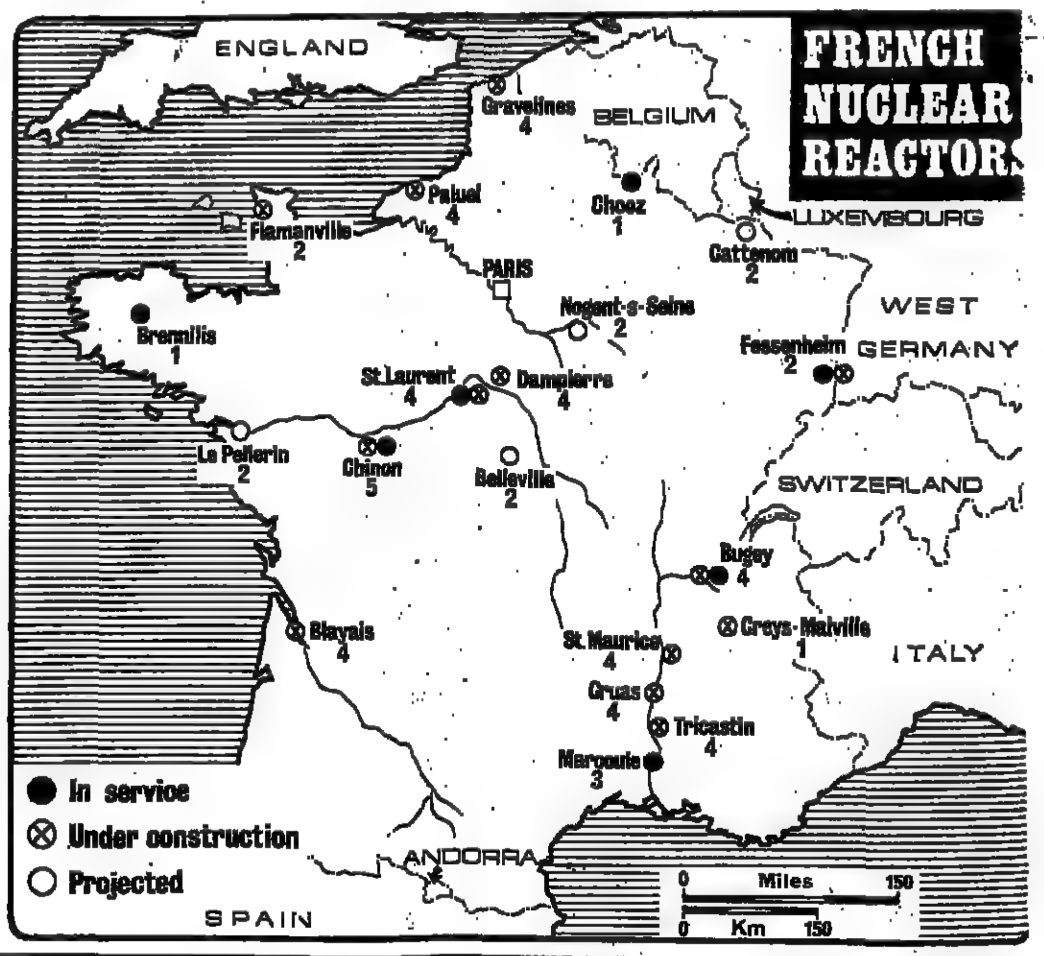
The French see the fast reactor as the best way of conserving uranium, for it promises to extract at least 50 times as much energy from uranium as the pressurised water reactors under construction today. Its fuel will be the plutonium by-product separated and refined in reprocessing spent fuel from the PWRs. In addition the French engineers plan to put "depleted" uranium virtually stripped of its fissile isotope, from which it can "breed" extra plutonium, which will then be returned to the reactor as fuel.

Superphenix is France's big insurance project against the rising costs of uranium in the next century. For the big demonstration the designers have retained major features from their Phenix prototype especially in the similarity o[f] its fuel. But they have introduced major differences, mos[t] notably in developing a mor[e] advanced steam generator Superphenix will be equippe[d] with four 750 MW (thermal) steam generators of a helica[l] tube design.

Some 900 people are engage[d] in this project today. Nov[a]tome-NIRA, the main contra[c]tor, has placed some 70 co[n]tracts with 35 European com[]panies—mostly in France, We[st] Germany and Italy—coverin[g] about 98 per cent of the engi[n]eering components. The proje[ct] —trailing just a few montl[hs] behind schedule—is expected [to] raise its first power in 1983.

There can be no question th[at] France has taken the wor[ld] leadership in exploiting nucle[ar] energy and in developing t[he] advanced technologies need[ed] to sustain its progress far in[to] the future. Its main setba[ck] has not been in the sphere [of] public reaction, which has be[en] relatively muted in face of [a] confident and determined G[ov]ernment unafraid of taki[ng] major investment decisio[ns]. The setback has has come fr[om] the abortive contract for t[he] sale of two 900MW reactors [to] Iran. The $5.9bn contract [on] the Karun River, awarded t[o a] consortium led by Framator[ne] and for which site work [has] been completed, is now believ[ed] certain to be cancelled by [the] new Iranian Government.

David Fishlo[ck]
Science Edi[tor]



The regions

Battles ahead

TEN YEARS ago General de Gaulle was starting on his memoirs in Colombey-les-Deux-Eglises, having just resigned in the cause of his ideas for regional reform and a revamped Senate. The majority "Non" to his April 27 referendum still seems today to determine the scope given to regional policy by his successors.

Well-publicised economic programmes in the provinces and the impressive vitality of many provincial towns do not change the fact that France is more centralised than any other large Western country. The tradition of central power, which goes back through Napoleon (Corsican though he was), Louis XIV and Richelieu at least as far as Philippe le Bel, the "first modern monarch" who gave France the administrative equipment to take it into the 14th century, is making only small concessions. In this, France seems to be swimming against the European current.

Will the Government be able to placate regional aspirations? Parisians may have asked themselves that when Corsican separatists woke them with 22 bombs on June 1; turning on the morning news they could hear that the Breton Liberation Front, supposedly "dismantled" after the damage to the Palace of Versailles last July, had just blown up the house of one of the police chiefs responsible for the "dismantling," in broad daylight. Extremist action is on a small scale compared with Spain or Northern Ireland, and certainly not representative, but there is evidence of regional feeling growing in other ways.

Even in depressed regions, people have become less prepared to leave. A favourite car-sticker in the south reads, in "Occitan": *Volem viurc al paris* (we want to stay here).

Government efforts to stimulate economic activity in backward regions have been channelled through DATAR, a body set up in 1963 and attached to the Prime Minister's office. DATAR, under a series of dynamic heads, was responsible, for instance, soon after its outset for tourist development plans on the Mediterranean east of Marseille; five years later for an extensive investment plan in Brittany, including roads; in 1975 for another wide-ranging plan for the Massif Central. It also dispenses incentives for job creation in the regions; last year 35,000 jobs were filled under this scheme and the organisation is hopeful about meeting an ambitious target of 60,000 jobs this year.

The momentum of economic growth in the regions was, however, severely slowed by the 1974 oil crisis. Great designs for the Rhone Delta, which by virtue of a canal link with the Rhine was to provide a counterweight to the industrial north, lay follow for lack of money and are only being taken up again this autumn. And although new industrial centres have been established—the most spectacular being the Fos steel-and-chemicals complex on the Mediterranean — the factories have not always been where they were most needed.

Since last year Lorraine and the Nord-Pas de Calais regions have been pushed to the front of the class. They are to get most of a one-off special adaptation fund to compensate for the loss of jobs in the steelmills. Almost 15,000 jobs have already been found under this plan, which mainly offers steelworkers places in motor and electronic factories.

Minimum

Cynically, it could be said the Government is doing the minimum necessary to avoid facing unmanageable social problems in these regions. What the emergency measures underline is how little had been done before in a region such as northern Lorraine, already on a long path of decline.

President Pompidou made a tentative step towards giving regions more say in their own economic future by setting up 22 regional councils. But with their limited powers these councils have rarely shown any teeth, and the basis of the administration system remains the appointed departmental prefect.

The principle of increasing the say of local authorities has been pursued by President Giscard d'Estaing. A Bill is slowly making its way through the legislature; having been taken up by the Senate in May, it is due to be discussed in the National Assembly probably some time next year. The theme is more power for departments and communes, which will be able to make freer use of funds and will take over some responsibilities from the State.

Under the Bill most technical and financial controls now exercised by the State will be lifted, and the decisions of municipal councils will in most cases have executive effect. The use of subsidies will be progressively left to the local authority, and extra funds will be sent for services such as aid for old people and young mothers, which will be a local responsibility. The department will run educational scholarships and school transport, and local councils will essentially be in charge of town planning.

The President attaches considerable importance to the reform. But what it does not resolve is the lack of resources available at local level. France's 36,000 communes will be able to choose where they put their green spaces, but devolution to the regions is still out of the question.

DATAR itself is the epitome of French centralisation. Its function is essentially one of liaison between central government and local services. Its people in the provinces, even when they are locals, are sent from Paris and work to Paris. Foreign investors, contacted through the organisation's offices abroad, are dealt with at the foot of the Eiffel Tower.

Shifted

Some Government services have been farmed out to the regions. The Army, for instance, runs its pension fund from La Rochelle, and the Ecole Nationale Supérieure d'Aéronautique was shifted 15 years ago from Paris to Toulouse, *which (originally for strategic* reasons) has become the base of France's air industry. Grenoble managed to attract some of the administrative elite, tempting them with winter sports, and there has been regionalisation in the universities and the arts.

But the administration, a strong customer in France, is jealous of its power and resists farming it out to the provinces. The banking system is still heavily Parisian, a fact underlined in the recent Mayoux report commissioned by the Government—although the biggest State-owned bank, the BNP, has delegated some of its decision-making. And with the exception of a few companies like Michelin in Clermont-Ferrand, big business is run from the capital.

Despite the dynamic image of many regional towns, none really enjoys the role of regional capital—not even proud Toulouse.

DATAR is organising from Toulouse its Grand Plan for the south-west, launched last autumn. A detailed programme is being drawn up to take the whole area between the Atlantic and the Mediterranean through the 1980s. In contrast with other regional plans it does not rely on infrastructure but on economic development, starting with priority sectors such as forest resources. The plan has to come to terms with high unemployment, a latent tendency towards mini-centralisation around the main towns of Bordeaux, Toulouse and Montpellier, and the region's mentality, akin to a pleasant post-prandial doze.

The lack of business-mindedness in Toulouse is illustrated by a typical family story. Great-grandfather was a peasant who came to town and set up a drapery store. Grandfather made it into a textile factory. Father took it over and then sold out (it later folded). With the proceeds his children were educated, and his son qualified as a doctor. Only then was the family considered to have "made it."

In the country, the most dynamic forces in farming have often been *pied noirs* (Frenchmen returned from North Africa) or young people from the north "going back to the land."

Some regional officials argue privately that the impetus for development is limited by the region status as outposts of a Parisian empire, however benevolent that empire. All the money poured into Corsica, they say, has not led to real development but rather hindered it, acting as a placebo. On the administrative level, meanwhile, the island, split into two departments, typifies a certain system of control.

The Government is not ready to make concessions to demands for greater regional autonomy, be they in Brittany, Corsica, French Catalonia, the Basque country or Alsace. Its anxiety can be explained by a look over the border at separatist movements in Spain, or at regional authorities in Italy which have become Left-wing power bases.

D.W.

Newspapers

Threats to independence

WHEN EMILIEN AMAURY, crusty patriarch of the Paris Press scene, fell off his horse in the Bois de Boulogne and killed himself two years ago, a new era opened for French newspapers. The riding incident set events in motion which have allowed the Press to move surprisingly smoothly into the modern printing age.

Yet while the Paris Press now faces far fewer problems than Fleet Street in adapting to advanced technology, it is hobbled with serious threats to its independence: a growing tendency towards an ownership monopoly and the existence of Government pressure.

If the shift to streamlined printing has come about relatively easily, it is partly because the almighty Paris printers' union, the Communist-led Syndicat du Livre, has forfeited some of its iron-clad powers over the past two or three years.

The "Livre" became ensnared in a relentless fight-to-the-death with Mr. Amaury, autocratic owner of the Parisien Libere, a down-market daily which once commanded mass loyalty in the French capital's working class districts but which has now sunk to a modest circulation of 360,000. For sheer venom there was nothing to touch the Parisien Libere dispute. It brought endless violence and nationwide strikes over a 30-month period from 1975 onwards.

The conflict started when Mr. Amaury, an old-style capitalist who never accepted the Livre's dominant role, decided virtually without consultation to modernise his printing operation and sack hundreds of printers in the process. The union dug in its heels. So did the publisher.

The riding accident finally broke the deadlock. With Mr. Amaury gone, both sides yielded on principle. The rest of the Paris Press looked on with intense interest. For in settling with the Parisien Libere the Livre lost its stranglehold over the Press world. Little by little newspapers have since been able to negotiate modernisation agreements, bringing inevitable reductions in their print labour forces. Their editorial operations, greatly overmanned in many cases at the start of the 1970s, have also been trimmed.

Paris now has a dozen regular dailies, including the English-language International Herald Tribune. That is a lot by big city standards. But only half of them have an important following, and none has a huge circulation. The biggest is France-Soir, though it is still on a downward slope with sales that have dwindled to 500,000 from well over 1m 10 years ago. Next comes the independent Le Monde with 430,000, not a bad tally for a top people's paper which remains so uncompromisingly "heavy."

While the switch to modern technology has been made, or is soon to be made, at all leading Paris dailies, things have not yet advanced to a point where journalists using computerised video-screen techniques have assumed an active role in their composition, thereby taking on part of the old printers' job. The exception is the computerised Herald Tribune, which is a special case because it is editorially linked to its American owners.

But photocomposition and offset printing are now the rule. To crown the Paris printing revolution, a new $30m dollar printing complex, one of the most sophisticated in Europe, will be launched next month in the North Paris suburb of St. Denis.

Its owner and business architect is the secretive Mr. Robert Hersant, a provincial publisher whose ruthless cost-cutting techniques have made him the most controversial figure in the French Press world. The St. Denis offset plant has a unique mission: to print four daily newspapers simultaneously: France-Soir, the conservative Figaro, the equally conservative Aurore and its sister publication Paris Turf, a racing paper.

The plant and related photocomposition centres are to employ 1,200 printers, half the number employed by the four papers separately until Mr. Hersant came along. How did Mr. Hersant bulldoze his scheme through the wounded printing union? Part of the answer is that the Amaury affair took the edge off the "Livre's" much-vaunted spirit of combativeness. "We can't avoid the new technology," says a union spokesman. "What we can do is to prevent unemployment."

The Paris newspapers have adpated to advanced technology but still face problems of ownership monopoly and Government pressure.

If there seems to be some leeway between the union position on maintaining employment and the fall-off in printing jobs epitomised by St. Denis, that is due to a little-noticed but crucial agreement signed between most Paris newspaper publishers (not Mr. Amaury) and the Livre in 1976. It set the stage for modernisation just as much as the resolution of the Parisien Libere crisis.

Under the accord, each and every printer employed at the time in Paris was listed by name and guaranteed a job. In return, the Livre pledged to unshackle the papers by negotiating technological advances. What has happened is that the number of printers has now dwindled considerably through early retirements and well-compensated voluntary departures. No new names are listed to replace them.

Chorus

So the once-familiar chorus about chronic crisis in the French Press has not been heard so much lately. In any case, the provincial Press is rich and healthy. Seventy-two regional dailies build impressive profits on local monopolies safeguarded by the Government's reluctance to permit local commercial radio or proper regional television in France.

No less than six provincial dailies figure in France's top-ten circulation league. At the top, outstripping all the Paris dailies in sales if not in influence, is the Brittany-based Ouset-France (circulation 670,000). That shows how even the most illustrious Paris newspapers have failed to become truly national in circulation.

As for the weekly news magazine business, it is mostly keeping its head comfortably above water thanks to a privileged advertising position. The field is led by L'Express, recently acquired by Mr. Jimmy Goldsmith, with the well-presented Le Point making a strong impact. If the Nouvel Observateur is in the doldrums, the once-moribund Paris Match, one of the best-known names in the world magazine industry, has been rescued and put back on the rails as a news-picture publication by Mr. Daniel Filipacchi, a former Paris Match photographer who lived out the fantasy of returning to buy his old employer.

It is true that the daily newspaper business in Paris itself, chief victim of the readership squeeze brought on by television, remains relatively vulnerable. The old barons of the Paris Press, from Marcel Boussac to Emilien Amaury, have virtually all left the scene since the beginning of the 1970s. Maybe they could see what was coming. Even the stately Le Monde suffered a financial loss in 1977—its first since its post-war launch—before tightening its belt to produce the habitual profit for its journalist co-operative ownership system last year. Two Paris dailies (the Quotidien de Paris and short-lived J'informe) have folded in the past two years.

Such fragility has encouraged one of the threats to Press independence. Pluralism in the newspaper field is increasingly jeopardised by the tough-minded Mr. Hersant, 59, who has taken half the top Paris dailies under his wing in the past few years. France's answer to the Hearsts, Thomsons and Springers of the Press world burst out of Madame Bovary's provincial backwater of Rouen to buy the classy but ailing Figaro.

By taking a controlling half share in floundering France-Soir and turning Aurore into a business satellite (he does not own it), he put the icing on his cake of 12 provincial papers. One in every six French newspaper readers is now a Hersant reader. What sort of profits the Hersant empire accumulates is anybody's guess. It is said that the publicity-shy publisher, who had a run-in with the courts after the war for his pro-German activities, pays for acquisitions with 500 franc bills to make sure that nobody traces the source of his funds.

The Paris papers standing out against the Hersant stampede are Le Monde, a powerful French institution which refuses to change its staid ways for anybody, the pro-Socialist Le Matin, owned by Le Nouvel Observateur publisher Claude Perdriel, and the still tottering Parisien Libere.

Since France has a law barring any one person from directing more than one daily newspaper, Mr. Hersant's cavalier attitude has landed him in trouble. He faces trial on charges of violating the dog-eared legislation. But when unions complain about his cost-cutting methods and parliamentarians fuss about the dangers of Press monopolies, he cuts them short with the blunt reminder that the Paris papers he controls would probably have sunk without trace if he had not stepped in to save them from financial ruin.

The threat to Press independence from the Goverment is more subtle but more pervasive. From General de Gaulle onwards—he revived the disgraced Paris Press after World War II by distributing titles among people with good war records—French leaders have regarded the information industry as their special domain.

Government influence is most easily exercised over broadcasting, which technically remains a state monopoly under the guidance of the President. President Giscard d'Estaing has thus been able to name the heads of France's three television channels. News chiefs also need the presidential nod. A Giscard intimate, former Elysee Palace spokesman Xavier Gouyou Beauchamps, has been put in charge of the Government broadcasting holding company, which holds sway to a greater or lesser degree over the main radio networks.

Encouraged

In the Press sphere, the Elysee quietly encouraged the Hersant takeover of Figaro. Later, the President's men made sure that Aurore did not fall into potentially troublesome hands. When Mr. Marcel Dassault, the Gaullist aircraft manufacturer, sought to buy Aurore, he was sent packing on the reported grounds that his friendship with Gaullist chief Jaques Chirac, the President's bitter rival, rendered him unacceptable. Finally, Aurore, its circulation lolling beneath 300,000, has been put in the hands of a Hersant associate.

The potential Government influence over the Press is underpinned by a system of state financial aid. The VAT rate applied to French dailies is a mere 2.1 per cent compared with the normal rate of 17.6 per cent. By granting enormous postal concessions, the Government foots a bill of some FFr 2bn a year for mailing papers and magazines to subscribers. If this two-pronged indirect aid were abolished, the Press industry would be badly hurt.

Independence problems aside, there are signs of a new sense of dynamism in the Paris Press. Extra capacity offered by modern printing techniques has prompted a rush into the Sunday paper market, hitherto a virtual void in the French capital. Le Matin launched a Sunday paper this spring and the Hersant papers are due to follow. Even Le Monde, rarely one to follow trends, is considering entering Sunday competition.

The findings of a Press commission on ways of maintaining pluralism in the newspaper business are expected to be published soon. But in the longer run, it is modernisation and improved productivity that offer the only real buttress against assaults on Press independence.

David Muller

The food industry

Search for exports

IT ALWAYS comes as something of a surprise to realise that despite its strong peasantry and its gastronomic brilliance, the French food industry is relatively weak. Of the 50 largest food processing companies in the EEC, half are British, with a combined turnover of $22.6bn (including Unilever); only 12 are French, with turnover just topping $9bn (1977 data). Worldwide, the French are also squeezed by Nestlé and by the large American food producers.

And even when they are large, French food companies are not always particularly profitable. The leading French food firm, Sir James Goldsmith's Générale alimentaire, wins the turnover stakes thanks to its important multinational food distribution interests—but its most recently reported profit levels (3.3 per cent of sales) are hardly encouraging. G.A. is a hotch potch company, producing a range of food products from cakes to sweets, from mustards to Marmite. Second ranking French food-processor, BSN-Gervais Danone, with interests in brewing and babyfood, soft drinks and dairy, reports even lower profit levels.

Both patchwork companies were created by aggressive acquisition during the last decade, thanks to a French policy (encouraged by the Government with financial assistance in other cases) of going all out for economies of scale, international dimension, market concentration. The Government, through the equivalent of the IRC, helped glue together a biscuit firm, Lu, inorder to stop a wave of takeovers in the sector from American companies; a cheese group, Bel, aimed at the processed, packaged-in-plastic end of the market, was put together with the participation of the farmers' co-operative bank, Crédit Agricole. Both have done well, Bel now co-operating closely with other dairy sector interests, including Sodima Yoplait, which, with an association agreement with General Mills, is tackling the U.S. market. Lu, meanwhile, having organised a useful capital inflow from a French pharmaceutical group (Clin-Midy) has bought out the Belgian General Biscuit, making it the first French biscuitry multinational.

Upset

Yet French international penetration comes at a price the French get upset at paying. In 1977 for the first time (helped a bit by weather conditions) France moved into balance of trade deficit in the food products area. Particularly galling is the success of West Germany, often selling back to France processed foods made from French raw materials. Apart from the cross-Rhine sausage trade (where taste is a factor) German export successes have been chalked up on the French market by biscuit-maker Bahlsen (which has up to 25 per cent of the French market for some specialities), and by producers of German processed cheese (favoured by industrial users and the supermarket trade; sales by Hochland and Kraft in France rose 36 per cent in 1977).

Internationalisation is viewed as a threat by many French, and defence of the national market remains a cornerstone of French policy in the food sector. The food industry is expected to benefit from recent measures to liberate prices (taken as part of the Barre programme last summer), new structures for orientation subsidies to agriculture, new funds for R & D, and the establishment of a special service for the agrofood industry in the Ministry of Agriculture, headed by M. Jean Wahl, formerly of the French Embassy in London. It is thus hoped to overcome some of the problems of the food sector, above all its lack of spare cash for investment.

The food industry, caught between price controls at the sales end and high support levels for the farmers they bought from, has suffered from diminished cash flow, lack of cash for modernisation, insufficient R & D. And it has also suffered from the end of traditional French protectionism toward their products—and the modernisation of the French distribution system.

When the first cut-price food chain was started in the mid-1950s by Leclerc, the French food industry, loyal to its traditional small shopkeeper outlets, refused to sell, and the law had to intervene. These days, the shoe is on the other foot. France has one of the most concentrated food distribution systems in the world. According to the A. C. Nielsen Co., which polls groceries, France's 349 "hypermarkets" (area over 2,500 square metres) accounted for 35 per cent of all food and sundries sales in 1978—a world record. (The level for the U.S. was 3.4 per cent.)

This concentration reflects astute shopping (hypermarkets price cut), a new French taste for convenient one-stop shopping, a loss of interest in palpable freshness. It comes despite legal restrictions on opening new self-service outlets (the 1974 Loi Royer)—more of the family's food budget is spent at the self-service outlet even though no new ones are being opened.

Even apart from the danger to culinary excellence, the mass distributors' power has unfortunate side effects — most notably in the effective boycotts they can organise against food producers who do not meet their conditions, above all for credit. The present terms of payment for food industry products involve a delay of 90 days according to M. Wahl whereas the norm in other European countries is three weeks. The burden on the cash-strapped food processor is immense, but they cannot tighten terms without becoming the target of a boycott. (So far the French Government has not intervened for fear of a rise in retail prices. There is no independent Monopolies Commission or Kartellamt or antitrust authority in France.)

The retailers' squeeze has encouraged the French food industry's search for export markets (12 per cent of sales) and for new international ventures. The most profitable food companies in France, usually small, speciality companies, have done best. Export Oscars went to Cacao Barry, a maker of wholesale products for the chocolate industry, with 40 per cent of its output exported and to Source Perrier, the fizzy water, which now sells as many litres to faddish Americans as to the French. Both are small, family-controlled, specialised firms (Perrier sold off its dairy interests). Can the larger, "glued-together" food firms follow suit?

One surprisingly pessimistic answer comes from M. Jean Lallement, managing director of Credit Agricole, which has a special role as financier of food processors under French law. M. Lallement remarks: "It is easier for an importing country able to buy food at world prices than for a producer (country) to develop its agri-business. To have a strong food industry it helps to have a weak farming class and a public without taste."

Vivian Lewis

TRADE UNION NEGOTIATIONS AND MICRO-ELECTRONICS

BY CHRISTIAN TYLER, LABOUR EDITOR

The TUC nibbles at new technology

BLIC INTEREST in micro-ctronic miracles has reached third phase. First came the elations from Silicon Valley California, closely followed products like the pocket cal-ator and digital wristwatch. en the revolutionary poten-l of the chip — in both com-rcial and labour market ms — attracted the attention governments and their plan-g agencies; and in Britain Labour Government began ing out funds to give the a manufacturing presence l to heighten industry's areness of the coming event. By last autumn, the subject l been put squarely on the de unions' agenda, and the dence produced for debate.

Mr. Callaghan chose the 1978 ades Union Congress in ghton to voice his concern t the country recognise the of this industrial challenge. eed, there were really only issues at that conference— General Election that didn't open, and the silicon chip.

Since that day, trade unions, especially the white-collar ons — have been very orous in working up their r research into the employ-nt consequences of new tech-ogy and preparing advice for ir negotiators down the line. Employers—among those few o have taken a practical in-est in the new systems—may afraid that trade unions will to kill the new equipment. ere is no evidence of such attitude at the policy-making el of individual unions or the C itself.

Not even at The Times—the st publicised failure of new hnology bargaining—have unions rejected new equip-nt. Their principal argument about who should operate it. e Times *débacle* is merely vivid example of the way hnology breaks up old craft s—and thus union struc-es. For example the tradi-nal difference between a printer and a journalist had been easily defined: the printer handled metal, the journalist paper. Remove the metal and the paper and you have to re-define or reassert functions. (Whether like The Times you need to shut down for more than six months in order to secure progress is another matter.)

Unions may be highly scep-tical about the more sanguine forecast of net employment effects, but they have generally welcomed the chip as an indus-trial opportunity not to be missed, and expounded on the dangers of Britain failing to catch the train.

Implied threat

Their theme is "change, but only by consent," and their implied threat is that unless workers see some net benefit to them from the new era of automation they will dig in their heels and resist it.

Recently the TUC held a con-sultative conference at which 61, or over half of its affiliated unions, were represented. They debated an interim report drawn up by a committee of research officers from ten unions, manual as well as white-collar. Some of those unions have already been involved in bargaining about the new tech-nology. For example, the clerical workers' union APEX have reported an agreement with NEI Parsons on the intro-duction of visual display ter-minals which was described by both sides as a breakthrough and—by the union, at least—as a model of what such an agree-ment should look like.

Covering 600 workers, it gives a no-redundancy guarantee, and preserves their job status, earn-ings and security of employ-ment. The union will co-operate in the use of visual display ter-minals, desk top data entry devices and word processors. The VDT operators who have to use the machines all the time will get 20 minutes' break after each hour of work.

Examples are accumulating which suggest that technology bargaining is on the increase. The Association of Cinemato-graph, Television and Allied Technicians has signed an agreement with the TV com-panies which includes co-opera-tion with new outside broad-casting cameras. ICI has opened the subject of microtechnology and natural wastage with its unions, and the other chemical companies are now party to a national agreement that paves the way to a shorter working week in return for co-operation with new technology.

The General and Municipal Workers Union is trying to negotiate a shorter week for its members at the Pilkington glass company in St. Helen's, Lancs., and refusing to work on a £70m float glass manufacturing plant that would remove up to 300 jobs until agreement is forth-coming. Meanwhile the Associa-tion of Scientific, Technical and Managerial Staffs—one of the unions most active in the field of new technology and its social consequences—is hop-ing to win special job security bargains for its members in banking and insur-ance. In the public sector the same mood is apparent. Mr. Sid Weighell of the National Union of Railwaymen recently declared that technological advance should mean more leisure, not fewer jobs for railwaymen.

Having accepted that change is both inevitable and desirable, the TUC has built its strategy for planned or controlled change around three main themes. It suggests a programme for government action — not surprisingly, based on the pre-mise that more, not less govern-ment intervention will be necessary. It suggests a bar-gaining agenda for negotiators at company and plant level. And it links this with some thoughts about the extension of industrial democracy and the redefinition of the unions' own job boundaries.

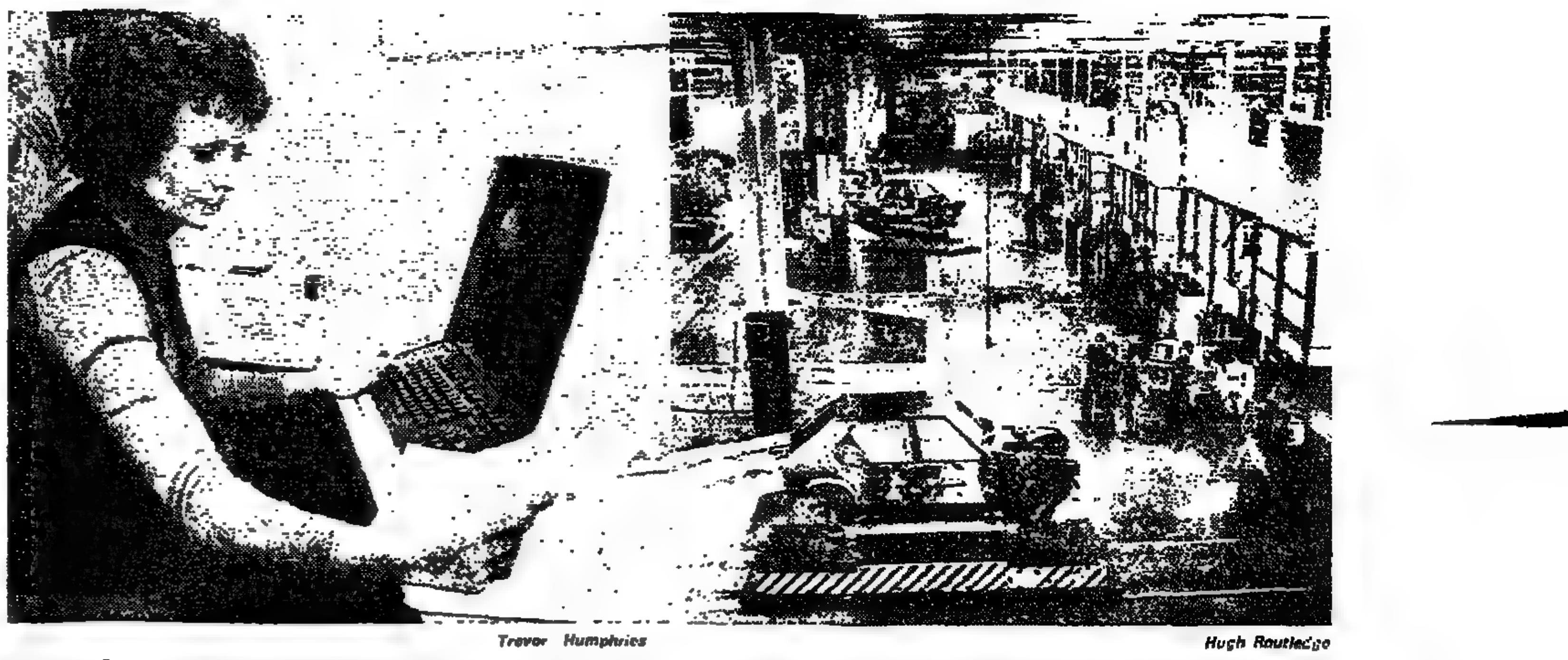
The Government should renew its 1944 commitment to "full employment," it says (*pace* Mr. Clive Jenkins of ASTMS who argues that workers being paid for leisure is a better target), and should accept that public services of all kinds should be expanded to take up the labour displaced by increas-ingly capital-intensive manufac-ture. The Government should accept work-sharing and more leisure for all those employed. It should set aside money now for transitional employment sub-sidies and training programmes, even though it may not yet know how much money will be needed. It should "encourage" planning agreements between companies, unions and govern-ment.

It should make sure children learn about new technology at school and set up apprentice-ships for the new skills required. It should introduce statutory compensation for workers on short-time (a measure proposed by Labour) and increase both the size and the period of unemployment benefit.

At company level, the TUC proposes "new technology agree-ments." They would cover (like the agreements cited earlier) procedures for introducing labour-saving equipment, for reviewing its effects once it has arrived, as well as for protect-ing workers displaced by it. Some of the unions have been attracted by the Scandinavian invention of "technology stewards": shop stewards whose job it is to become technically proficient so that they can advise the others.

Surveillance

As Mr. David Lea, assistant general secretary of the TUC, said: they would act rather like the union-appointed safety re-presentatives created by the Health and Safety at Work Act.



Trevor Humphries   Hugh Routledge

Two faces of the new technology—operating a Vydec word-processing system and cars being wheeled in for automatic welding at Fiat's Rivalta Works near Turin.

(A Norwegian computer expert who has been advising his coun-try's unions, Prof. Kristen Nygaard, says technology stew-ards should be kept under sur-veillance to prevent their "capture" by management.)

The TUC's interim report sets out a string of *desiderata;* they have no force at present. But when the final report is put to this autumn's Congress in Blackpool it will become official policy and is likely to influence the shape of technology bar-gaining from then on.

Among the things unions will be encouraged to do: refuse technology introduced unilater-ally; demand a *status quo* clause (that is no change in working practices during a dispute); ask for business expansion or pro-duct diversification to keep em-ployment at par; seek complete job security for existing wor-kers, and no loss of earnings or status for workers whose jobs have been downgraded in terms of skill ("de-skilled," to use the jargon).

If workers have to be sacked, unions are urged to ask for income maintenance (as was proposed in the abortive Fleet Street joint plan, and as partly happens in British Steel) rather than lump sums on redundancy. They will oppose redundancies anyway, and even natural wastage in some cases, on the grounds that natural wastage, though apparently painless, merely redistributes unemploy-ment by cutting job opportuni-ties for the young. They will probably insist that sub-contracting be eliminated be-fore any full-time employee is considered for redundancy.

The TUC would like to see technology bargaining become a genuinely mutual process in which unions have equal control of the planning and access to all the relevant company infor-mation. For this purpose it is encouraging unions at plant or company level to band together in joint representation commit-tees (one of the proposals of the Bullock Committee on industrial democracy).

But above all, the new tech-nology will be used as an oppor-tunity to break down almost uniform employer resistance to a cut in the working week.

A campaign for a 35-hour week instead of the standard 40 for manual workers has been rumbling for several years, but despite the enthusiasm for it in union conference halls there has been little determination to secure it out in the field. The Post Office engineers won a reduction last year after a long spell of industrial action, and this month the Chemical Indus-tries Association conceded the principle of shorter hours in its national agreement on behalf of member companies. Britain, and indeed other European coun-tries, appear to have insulated themselves from the cut in hours that has been conceded in Belgium by big employers and the Government itself.

Unions may have failed to shorten the working week in their annual pay negotiations, but they are far less likely to fail in technology negotiations.

There is nothing to suggest that the introduction of micro-electronic equipment will be anything but gradual. However, the trade unions' vigorous pre-parations suggest that anyone who hoped to keep its introduc-tion virtually undetected is going to be disappointed.

Letters to the Editor

Agreement not to strike

om Paul Dean, MP

Sir, — Sir Geoffrey Howe has roduced a bold Budget which es a clear indication of a ange of direction this country nts and needs.

agree, however, with your der (June 13), that the lget contains high risk in short term, although great mise in the long term.

n the short term, a lot will pend on the next pay round l the attitude of the trade ons. It is good to hear some derate trade union leaders aking out and condemning disruptive tactics employed militants.

No Government worth its salt tolerate last winter's dis-tion with all the hardship caused to millions of people, luding trade unionists. ually, trade union leaders o value the good name of ir unions, know the damage itants have done and the itical price which was paid the General Election, so re should be common ground ween the Government and le union leaders for joint rts to restore order and the ouring of contracts and to otiate moderate pay settle-nts.

should like to see a start de in the National Health vice which provided some of worst examples of militancy ing the winter and where le employees did not hesi-e to use patients as hostages heir battles.

suggested in the House of mmons on May 16 that the vernment should try to nego-e no-strike agreements oughout the health service. re is a good foundation to ld on because the doctors e reaffirmed that strike on is contrary to their obli-on to patients and so have mbers of the Royal College Nursing. These no-strike mmitments should be recog-ed in the pay and the terms conditions of employment doctors and nurses.

hope that the trade unions the health service will be pared to negotiate similar strike agreements. In de-lt of these, the Government uld immediately set in hand tingency plans to ensure t professional staff assisted volunteers are equipped to p our health services run-g in the event of more dis-tion.

he newly elected Govern-nt is in a strong position to e a lead, and patients and f stand to gain immeasur-y from no-strike agreements.
l Dean.
use of Commons, SW1.

A seat for Mr. Paisley

m Marion McGregor

Sir,—Your interesting dia-m (June 12) of the seating angements in the European liament fails to develop all subtleties of a Chamber ch is not confined by the tish Yah/Boo configuration. The small segment in front of Communists and allies and the left of the European ialists is clearly designed to ommodate the British Labour ty group. To put the Con-vatives to the right of the istian Democrats is obviously correct, although many European Christian Democrats would be glad to distance themselves from the British Tories and their quaint group of Danish allies, perhaps by moving the Liberals (more appropriately) between the groups so that the Tories could find their rightful place on the right wing of European politics.

The seating of Mr. Ian Paisley arouses the most in-teresting speculation. Where could a Reverend representing a Party with "Democrat" in its name sit other than with the Christian Democrats? A sur-prising recruit indeed for the confessional battalions.
Marion McGregor.
Dacres, Troutstream Way, Loudwater, Hertfordshire.

Wasted food

From the Managing Director, Bateman Catering

Sir,—I was most interested to read the results of a survey by M. Jean Conil (June 12) in which it was claimed that wasted food may be costing Britain £27m a year. The report said that M. Conil places much of the blame on sub-sidised canteens, claiming that workers are given too much of the wrong food.

To blame subsidised staff restaurants for wasting food and serving "too much of the wrong food" is very wrong. It is ludicrous to say that for every £1 spent about 20p goes into the dustbin. Staff restau-rants—whether subsidised or not — do not waste food or serve the wrong type of food if they are properly managed using well tried systems of control over stocks, meals pre-pared and customer demand.

Managers have to work within the client's budget and so a very tight control system is necessary. The first step is to plan a varied but cost effec-tive menu and, by learning of customers' likes and dislikes, to prepare only the number of portions that experience says will be bought. Obviously, this cannot be gauged exactly but experienced judgment keeps wastage to an absolute mini-mum. Strict checks are also kept on purchases related to consumption so that any ten-dency to over order and create waste is severely limited.

It is possible that some com-panies do not employ the controls mentioned above and hence wastage may well be high. In short, it is not the system of subsidising staff restaurants which is to blame for food wastage. Rather it is the system of purchasing and control employed by a diminish-ing number of companies who attempt to run their catering departments without the experi-ence of a staff caterer.
Trevor Barber
Cambridge Grove, W.6.

The Budget and inflation

From Mr. B. Cole

Sir,—Before this Budget, the trade unions' cry at wage negotiations was that "take-home pay" is what matters to the man on the shop floor. Now the argument is that tax is not relevant, and gross increases must cover price rises. You say (June 14) that Labour MPs are "convinced that trade union negotiators would have no alter-native but to put in wage claims to match the 16 per cent in fla-tion rate predicted for the autumn." Len Murray is re-ported as saying that "people tend to forget tax reductions and look at what is happening to prices in the shops."

The shift from direct to in-direct taxation does not repre-sent an increase in the rate of inflation. If inflation is the trend of price rises, then a step up such as results from the in-crease in VAT does not increase this trend. Indeed mathe-matically it reduces it, since all other cost increases are a pro-portion of the pre-VAT cost, and are therefore a smaller proportion than before of the VAT-inclusive cost.

As a simple example, if prices were rising at 10 per cent per annum, the effect of the VAT increase would be:

1979 base price	100
1980 price	110
inflation 10 percent	
1979 price + VAT increase	107
1980 price	117
inflation 9.3 per cent	

The Government will do itself a disservice if it does not con-tinually emphasise this distinc-tion. The VAT increase offset by Income Tax reductions is no justification for increased wage claims—it deserves some reduc-tion in these.

Why are Labour ex-Ministers and TUC leaders not making this clear? The mathematics of the argument may be beyond some of the people, but I cannot believe Denis Healey and Len Murray do not understand it. Whatever their view of the desirability of the change why are they not honestly trying to explain to their supporters the facts outlined above? It seems they want a "winter of dis-content," even if it results from collectively wilful ignorance.
B. A. Cole.
"Drake Wood," Devonshire Avenue, Amersham, Bucks.

Watching the screen

From Mr. D. Woolard.

Sir,—Further to my letter of June 8 and Roy Grantham's reply (June 13) I would draw his attention to the remarks made by John Creaby, northern area organiser of the Associa-tion of Professional Executive Clerical and Computer Staff, in Engineering Today of June 12. "So we opened discussions while the machines were covered up. You might say it was a technological Luddism."
Duncan J. Woolard.
23, The Middlings, Sevenoaks, Kent.

Over-protected pensions

From Mr. B. Clark

Sir,—The Pensions (Increase) Act, 1971, prescribes that increases of public sector pen-sions shall be made by reference to the cost of living. By prac-tice, the Index of Retail Prices has been adopted as the measure of change.

Budgetary transfer of empha-sis from direct to indirect taxa-tion will have the effect of increasing the RPI. Under the existing arrangements, there will be a corresponding increase in the public sector pensions, without regard to the relief from direct taxation. In terms of net income, therefore, there will be over-proofing, particularly where the pension is large.

It is probably too extreme to suggest the repeal of the Act, so that responsibility for any and each increase is returned to Parliament, but there is clearly a need for its revision. The opportunity might also be taken to introduce some incentive for the reduction of the evil of infla-tion to which each of us can make a small, but not neces-sarily equal, contribution. Full inflation-proofing or, as is now in prospect, over-proofing, pro-vides no such incentive and, indeed, ensures that a greater burden is borne by others.

I would suggest that, while retaining the RPI as the base, *faut de mieux*, automatic inflation-proofing of public sector pensions should be restricted to no more than, say, two-thirds of any increase in the cost of liv-ing as measured by that index. The grant of any greater bene-fits would then be a proper sub-ject for Parliamentary debate.

The choice available to the powerful lobby of Civil Servants for the protection of the interests of their predecessors would then lie between pressing for supplementary increase and the ready implementation of policies designed to reduce the rate of inflation. That choice would clearly be affected by the strict application of cash limits on expenditure.

The Chancellor has announced the full protection of state retirement pensions against changes in the cost of living, but greater increase, in particular by reference to earnings, is now to be subject to direct Parlia-mentary control. For these pen-sions full inflation-proofing is appropriate, because direct tax is rarely of significance. The same does not apply to the pub-lic sector pensions, paid addi-tionally to the state retirement pensions, where the reduction in direct taxation needs to be recognised.
B. J. Clark,
Courthill, 14, Belcredere Road, Biggin Hill, Kent.

Public service staffing

From Mr. K. Donovan

Sir,—In principle the staffing of any organisation should depend upon the expected work loads, with special provision for peaks which cannot be satisfac-torily spread; it must also depend upon the methods and upon the "spirit." In practice, therefore, the future staffing of the public services will depend upon the kind of legislation which is introduced.

Is it reasonable, at least during inflation, to pass any new laws or regulations whose costs and manpower con-sequences have not been fully considered? Ought there to be "a law about it?"
K. H. Donovan
Warden's House, Horsley Towers, East Horsley, Leatherhead, Surrey.

Topping-up at £4 minimum

From Mr. B. Jamieson

Sir,—If filling stations sold petrol in minimum quantities of say £4 worth (or only that amount) then those who "top up" their tanks would be stopped at once. A simple solu-tion to a tiresome problem.
B. G. W. Jamieson.
13, Rustwick, Tunbridge Wells, Kent.

Today's Events

GENERAL

U.K.: Mr. James Prior, Em-ployment Secretary, speaks on Participation, at Industrial Society conference, London.

Labour women's conference, Spa Pavilion, Felixstowe.

British Aerospace hands over first production Sea Harrier to Royal Navy, Dunsfold.

Sir David McNee, Metropoli-tan Commissioner of Police, lec-tures on crime, All Souls, Langham Place.

Sir Kenneth Cork, Lord Mayor of London, lunches with presi-dent and committee of Overseas Bankers' Club, at 7 Lothbury.

The Queen attends Order of the Garter service at St. George's Chapel, Windsor.

Prince Sadruddin Aga Khan's gold boxes sale, Sotheby's.

Royal Highland Show opens, Edinburgh (to June 21).

Open Day at Vintners' Hall, Kennet Wharf Lane.

Jetlink Ferries starts £14 Brighton to Paris service.

Overseas: President Carter and Brezhnev sign SALT II in Vienna. President Carter ad-dresses joint session of Congress on return to Washington.

Financial Times two-day con-ference opens in New York on world-wide investment in the United States.

Mr. Cyrus Vance, U.S. Secre-tary of State, signs agreement in Lisbon on U.S. use of Azores base.

EEC Finance, Energy and Agriculture Ministers meet in Luxembourg.

Ghana elects President and Parliament.

PARLIAMENTARY BUSINESS

See Parliamentary Diary on page 11.

COMPANY RESULTS

Final dividends: Brown and Tawse, Chamberlain Phipps, Humbros, Shaw and Marvin. In-terim dividends: Flexello Cas-tors and Wheels, Hanson Trust, Throgmorton Trust.

COMPANY MEETINGS

See Financial Diary on page 11.

LUNCHTIME MUSIC, London

Piano duet recital by Paul Roberts and Nicola Hadley at St. Lawrence Jewry, Gresham Street, 1.0.

Organ recital by Edward Norman at St. Michael Cornhill.

Wheaton College male voice choir (U.S.) at St. Peter-upon-Cornhill, 1.10.

Reshaped STC heading for £32m this year

THIS YEAR a £32m pre-tax profit should be made by Standard Telephones and Cables, a strong improvement on its recent performance. This forecast is made today in the prospectus for its offer for sale of 15m shares, 15 per cent of its capital.

STC is a subsidiary of the U.S. conglomerate ITT which will retain the balance of the capital. Its profits have been fairly static over the past five years, primarily because of reorganisation costs, and the forecast represents an increase of 19 per cent over 1978 profits.

The 25p ordinary shares are being offered at 160p each and fully-taxed earnings per share this year are expected by the group to be 15.4p. The prospectus also forecasts a net dividend of 8p with a prospective p/e of 10.4 and gross yield of 7.1 per cent—on the basis of the offer price.

STC says income should increase this year as the benefits of rationalisation, retraining and modernisation programmes are realised. At the same time, exceptional credits should approximately wipe out further modernisation costs.

The figures given by STC are for a group which now comprises mainly telecommunications and engineering products. Most other operations in the STC group have been restructured into ITT Industries, a subsidiary of the U.S. parent. Comparative figures have been adjusted for the change.

The bulk of STC sales last year were to the Post Office, which uses the group's TXE4 and TXE4A transmission equipment. At a Press conference over the weekend, the company said this product line would be one of the mainstays of growth into the 1980s, though it was also working on a more advanced "System X," together with Plessey, GEC and the Post Office. This should be introduced by 1982.

Outlining its dividend policy, STC said it had until now paid around 50 per cent of fully-taxed earnings to its parent and this distribution pattern would probably be roughly adhered to after the share offer.

The offer itself has four main grounds. Firstly, STC has a British management, says it attaches great importance to its British identity and hopes this will be enhanced by the sale. Secondly, it is anxious to find a way for employees to take a stake in the group. These comprise the public relations advantages of the move.

STC is also expecting financial benefits, however. The offer will put a more specific value on the ITT holding, which would help the group if an acquisition opportunity arose. Finally, quotation of STC shares might indirectly help the ITT price, as the U.S. parent could direct the attention of analysts to the performance of its subsidiaries.

The present offer does not break new ground for ITT. The closest parallel is its sale of around 15 per cent of Standard Electric Lorenz, a West German subsidiary, which took place in 1977. According to the prospectus, there are no plans to sell any more of STC.

The offer is managed by S. G. Warburg, while brokers are Cazenove and Messel. The application list will open on Thursday morning.

Prospectus pages 23-28
See Lex

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Great Northern Investment Trust, Hanson Trust.

Finals:—Brown and Tawse, Chamberlain Phipps, Dawson International, Hambros, Shaw and Marvin.

FUTURE DATES

Interims:—	
Cardiff Malting	June 22
Henlys	June 20
Jackson (J. & H. B.)	June 25
National Westminster Bank	July 24
Finals:—	
Anderson Strathclyde	June 22
Renwick	June 25

Fairline Boats placing

EARLY NEXT month Fairline Boats, a Northampton-based builder of motor cruisers, is coming to the market. Between 30-35 per cent of its equity is being placed, half of which will be taken up by institutions.

Although a price has not yet been set, the company is expected to be capitalised at about £3m. The shares are likely to be pitched at a prospective p/e of between 7.5 and 8.5 with a yield in the range of 8-10 per cent.

The placing and listing of the whole of the capital, has been arranged by Barclays Merchant Bank with Hedderwick Stirling Grumber as brokers.

Over the past five years turnover has jumped from £0.66m to £3.62m, while pre-tax profits have risen from £15,000 to £0.52m. In the prospectuse, the company will forecast profits of around £0.75m in the current year.

The company was founded in 1963 by Mr. Jack Newington, father of Mr. Sam Newington, the present chairman. In addition to building motor cruisers, the company operates a marina, chandlery and hire fleet.

LANDSIT steps up quality

Lord Samuel, chairman of the Land Securities Investment Trust, says the group has been able to direct more effort to upgrading the quality of the portfolio by the acquisition of additional interests in its properties.

Several transactions took place in 1978-79 and the constant review of properties with this objective in mind will continue, the chairman says.

The directors also have had success in letting vacant space in properties and have taken opportunities to develop or undertake refurbishment works of properties already owned.

As reported on May 31 with a £1.2bn property valuation, pre-tax profits for the year ended March 31, 1979 went ahead from £18.43m to £26.4m. Total income was £75.6m compared with £69.2m.

The total dividend is 6.5p (5.36724p) on capital enlarged by a loan stock conversion. The chairman now says that the customary 1.5p interim payment will be increased in the current year to reduce disparity.

During the year good progress was made in completing outstanding works and in the current year completion is scheduled for four properties in the City.

The group is planning to start work this year on a major refurbishment of its freehold property, Devonshire House, Piccadilly, having recently contracted to acquire the head leasehold interest. A major project is intended involving King William Street House in the City, also a freehold property.

In addition the group continues its policy of refurbishing City and West End offices, the chairman says.

In February the Board repaid the US$80m borrowing which was taken out in February 1974 for a fixed five-year term. The borrowing was applied towards meeting the property development programme commitments in 1974 and was taken in currency due to a direction at that time of the Treasury that property companies should not borrow sterling funds.

The cost of currency to effect the repayment amounted to £41.93m and over the term of the loan a loss of £7.26m was incurred which has been dealt with by an appropriate transfer to or from capital reserve each year.

During the year a few sales of properties were made, one of which has yet to be completed. These sales realised £19.9m including the sales of £13m reported last year as having been in solicitors' hands at March 31, 1978, which were all completed.

The directors are also proposing an employee share scheme. Meeting, Devonshire House, Piccadilly, W., July 10 at noon.

FT Share Service

The following securities have been added to the Share Information Service appearing in the Financial Times:

Banco De Bilbao (Section: Overseas—Spain).

Compugraphic Corp. (Overseas—New York).

I.C.F.C. 12½pc Unsecured Loan Stock 1992 (Loans—Financial).

Pexa Oil N.L. (Overseas—Australia).

KITCHEN QUEEN

The acquisition by Kitchen Queen of Knott Mill Holdings will change the emphasis of KQ from manufacturing to primarily retailing, Mr. Neville Johnson, chairman, notes in the formal offer document.

Current trading, he adds, is "extremenly encouraging."

LOFS set to gain from stampede for oil supplies

THE WORLD oil shortage should work to the benefit of London and Overseas Freighters as the oil companies snap up every drop of available crude. Unless Middle East production falls substantially, the group's tankers will be profitably employed throughout the normally slack summer and on through the winter, Mr. Manual Kulukundis, the chairman, forecasts.

Yet he is unable to promise that 1979-80 will result in a profit for the group's tramp shipping. Though the company's B26 bulk carriers should continue to trade satisfactorily because of the higher freight rates, the return from its SD 14s has been disappointing. Lack of demand from the liner companies for these vessels has forced them to carry less remunerative cargoes.

A sharp improvement in the earnings of LOFS fleet during the second half of 1978-79 limited the trading loss for the year to marginally less than the £1.95m seen at half time.

"Our prosperity depends upon the demand for the type of tonnage we have available and in this respect the tide is turning. We are coming through the survival course and emerging upon a path of recovery," Mr. Klukundis says.

He says that the group's affairs require organising to prevent it running into liquidity problems. The company does hold £14m in Treasury stock, which it received as compensation for the nationalisation of Austin and Pickersgill and this could be used in case of need.

However, this money is regarded as awaiting reinvestment in the expansion of the business, he points out. Instead, to secure the desired elbow room and flexibility in cash flow additional facilities have been arranged with the company's banks, that effectively enable the group to defer, at its own option, repayments amounting to $10.2m, previously due in the next two years.

On the subject of possible expansion he observes: "We could find no justification in present world condition for re-investing in the shipbuilding industry."

The group's attributable loss for the year to March 31, 1979, was down from £3.99m to £1.9m and, as reported June 6, the company returned to dividends with a 1.072p net payment. A four-for-five scrip issue is planned.

But for the compensation received, liquidity at year end woubd have been down £3.34 In the event it rose £5.44m, co pared with a £3.56m decli Secured loans amounted £23.29m (£29.78m) and £383,000 overdraft had be eliminated.

The auditors, Moore, Stephe and Co., note that if U.S. doll loans had been translated sterling at the balance da secured loans would have be shown £1.68m higher.

Meeting Baltic Exchar Chambers, EC, on July 9 11 am.

SHARE STAKES

Fouyco Group—R. H. Strudw has transferred his benefic interest in 7,035,473 shares Supreme Investments, in wh he beneficially owns all the ca tal. Supreme now owns 7,110, shares (35.6 per cent).

Town Centre Securitie N. Ziff, director, has sold 10, shares.

European Ferries—K. Sid director, has disposed of 10, shares.

Alpine Holdings — Scot Northern Investment Trust bought further 20,000 shares creasing holding to 620,000 per cent).

BUPA membership recovers

STRONG GROWTH in membership last year of the British United Provident Association is reported by Sir Michael Milne-Watson in his chairman's statement accompanying the 1978 report and accounts. There was a net increase of 36,000 new subscribers in 1978—12,000 in the first six months and 24,000 in the second.

Sir Michael points out that this recovery in membership has almost made up the decline seen over the past few years. The number of members at the end of 1978 stood at 854,000 against the record total of 859,000 at the end of 1974.

During the year, subscription income of BUPA, the largest medical insurance agency in the UK, rose by 14 per cent from £72m to £82m. Other income, mostly from investments, advanced by one quarter from £5.5m to £7m. Benefit payments rose only marginally by just over one per cent to £50.7m—62 per cent of subscription, but the amount transferred to subscriber benefit reserve was increased by 50 per cent from £8.7m to £13.3m.

This resulted in a positive underwriting contribution in 1978 of £5.6m compared with £3.3m in 1977. Assets emplo rose from £90m at the begin of 1978 to £125m at the en

Sir Michael reports that du 1978 the BUPA Manche Hospital was opened. Thi owned and run by BUPA q separately from its involver in the private hospital se through Nuffield Nursing Ho Trust. The old buildings at M chester have been modern and construction started c new highly equipped 84-bed in the same grounds.

He warns that a new chall is being presented to the pri sector. The pay beds in the are being phased out at a when the demand for inde dent medicine is clearly grow There will be a demand the next few years for the p sion of good quality beds to the demands of BUPA scribers.

East Midland Press expects more growth

External factors will be less favourable than in the recent past for East Midland Allied Press but Mr. Frank Rogers, the chairman, expects results for the current year to show a satisfactory increase.

"We cannot expect successful publishing operations to continue to expand at the rate they did last year. However, there will be further growth in the umber of titles we publish; revenues should be reasonably buyont; and we expect our printing operations to be profitable by the end of the years," he says.

The utilisation of the new press in the contract printing division is now being steadily increased. The directors remain confident that additional work will be obtained and profitability achieved by the division over the next year or 18 months.

Circulation of the recently launched magazine Smash Hits has reached 160,000 and this journal will contribute satisfactorily to 1979-80 profits.

Group sales in the year to March 31, 1979, were ahead from £18.71m to £24.23m and pre-tax profit rose near 30 per cent to £2.1m (£1.62m). As reported June 1, the net dividend is effectively stepped up to 2.31784p (2.07429p), and a noe-for-three scrip issue is planned.

On a current cost basis along the Hyde Guidelines, profit is cut to £1.27m by additional depreciation of £780,000 and extra cost of sales of £85,000, less a gearing adjustment of £39,000.

Cash at year end amounted to £1.03m (£204,000) and there was medium term borrowing of £150,000 (£250,000). Capital spending commitments totalled £423,000, (against £293,000), of which £151,000 (£255,000) had been authorised but not contracted.

Meeting, Peterborough, on July 9 at 2.45 pm.

Bogod-Pelepah scrip issue goes through

Bogod-Pelepah, the sewing-machine distributor and textile and clothing machinery manufacturer, has gained approval from ordinary holders to make a 1-for-1 scrip issue, in A ordinary, to holders of both classes.

But before putting the matter to the vote the directors classified the position of the two classes of shareholders.

The ordinary "A" restricted voting shares carry double the dividend of the ordinary, although the effects of the scrip issue in the form proposed altered to a certain extent the balance of distribution of the total amount of dividend in favour of the ordinary.

Since ordinary shareholders only enjoy half the rate of dividend enjoyed by the "A," the reserves being capitalised disproportionately represent the amount of profits retained by reason of the lower dividends paid on the ordinary during the previous years.

"This situation is approximately righted by the scrip issue in its proposed form," the directors state.

Since the scrip was announced in May there had been anxiety among some "A" shareholders who could not vote at the meeting, that the ordinary would benefit at their expense.

JOHN MENZIES

John Menzies (Holdings) has taken over sixteen shops of the R. G. Elms Group in West London.

The new acquisitions start trading under the Menzies name today.

Menzies now has more than 250 outlets, including 70 in the London area.

Public Works Loan Board rates

Years	Quota loans repaid by EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
Up to 5	10⅞	10⅝	10⅝	11⅜	11⅜	11⅞
Over 5, up to 10	10⅞	10⅞	11⅛	11⅞	11⅞	12
Over 10, up to 15	11⅛	11⅛	11⅜	12	12	12¼
Over 15, up to 25	11⅜	11⅜	11⅞	12¼	12¼	12⅜
Over 25	11⅝	11½	11½	12¼	12⅜	12⅜

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 22.6.79.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	11¼	11½	11¾	11⅞	12	12¼	12⅜	12½

Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 367). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC and FCI.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses).	Annual Interest gross interest	Annual Interest payable	Minimum sum	Life of bond
	%		£	Years
Redbridge (01-478 3020)	11	½-year	200	4-[illegible]
Redbridge (01-478 3020)	11¼	½-year	200	6-7
Wrekin (0952 505051)	12	maturity	1,000	2-[illegible]

INTNTL. COMPANIES and FINANCE PENDING DIVIDENDS RECENT ISSUES

Payout up as Esselte tops forecast

BY VICTOR KAYFETZ IN STOCKHOLM

ELTE, the rapidly expand- Swedish office equipment, kaging, printing and pub- ing group, surpassed its tar- of SKr 220m by recording a tax profit of SKr 231m 3m) for the financial year ch ended on March 31, up SKr 169m for the preceding . The board recommends ing the dividend by SKr 1.50 Kr 5.50 per share for a total nent of SKr 34.4m.

urnover jumped by 40 per from SKr 2.54bn to 3.43bn ($785m) but the r figure included SKr 653m ten months of sales by Dymo Industries, the San Francisco-based multinational known for its plastic labelling systems, which Esselte took over last year for $62m. Excluding Dymo and other new acquisitions, group sales showed a 13 per cent gain.

The Esselte preliminary report also predicted a pre-tax profit of about SKr 275m for the current financial year. Sales will be in the range of SKr 4bn or 17 per cent higher than during the 12 months ending in March 1979, the group believes.

The improvement in pre-tax profit for this past financial year was traceable to foreign subsidiaries, mainly Dymo. The profit figure included net interest expenses of SKr 41m, against only SKr 3m the previous year.

The group earned SKr 8m of exchange rate differences against a 1977-78 financial year loss of SKr 15m, but recorded net extraordinary outlays of SKr 29m compared to a net gain of SKr 2m on extraordinary items in the preceding year. Esselte's net profit after allocations and taxes was SKr 39m for the year ending in March 1979, down from SKr 62m.

Because the purchase of Dymo reduced Esselte's solvency level the group in March announced an international 10-year term bond issue of $25m convertible beginning in September into free B shares. The company is seeking to have its shares listed on the London Stock Exchange this summer.

In the meantime, it has been disposing of unprofitable portions of Dymo and is merging that company's management with that of another U.S. subsidiary, Oxford Pendaflex, an office equipment company acquired by Esselte in 1976.

Petro-Canada scheme halted

Robert Gibbens in Montreal

E CANADIAN Government ordered the national oil npany, Petro-Canada to eze plans to dissolve Pacific roleums, which it bought m Phillips Petroleum of U.S. a year ago for nearly m and to absorb it into an sting Petro-Can subsidiary. Petro-Can has also been rned not to make any signi- int corporate change or ge in assets until the new vernment has completed a view of its activities and e. The Government has d it will set up a Board of istees to review Petro-Can Petro-Can would have trans- red Pacific Petroleum's ets and liabilities to sub- iary Petro-Canada Explora- n on June 30.

Clicks offer oversubscribed

Our Johannesburg Correspondent

OFFER to Greaterman's es' shareholders of 1.1m es in Clicks Discount Stores 100 cents each has been e than six times oversub- bed. Of the 2m shares red, 900,000 were allocated Clicks suppliers and direc- and 1.1m to Greatermans eholders who company ed 50 per cent of Clicks be- plans to give the chain sting were completed. The ks listing commences on e 20.

Fine terms for Argentine loan

BY ROSEMARY BURR

SEGBA, the Buenos Aires electricity utility, has mandated Westdeutsche Landesbank to raise a two tranche $80m credit. The loan is in the form of a $60m 12-year tranche, which carries a margin of ⅝ per cent for the first five years and ¾ per cent for the rest. The grace period is seven years.

These are the finest terms for an Argentine credit with this maturity in the current phase of falling margins. The remaining portion of the loan is a 15-year $20m credit at a spread of ⅞ per cent throughout. The grace period is six years. This is the first dollar credit for Argentina with a 15-year maturity.

Further lengthening of maturities in Chile is disclosed by terms for the latest quotations. Endessa is raising a 12-year $71m loan via Bank of Tokyo and Citibank. The spread is ⅞ per cent for the first five years and ¾ per cent for the rest. The grace period is five years. This is the first deal of this maturity for a Chilean borrower.

Meanwhile, Chase Manhattan Bank has been mandted by the Spanish utility Enher to arrange a ten-year $62m loan. The spread is ⅝ per cent for the first five years and ¾ per cent for the rest, and there is a grace period of five years. The funds are earmarked to consolidate the company's outstanding debt and are being raised on the finest terms for a Spanish borrower in the current cycle.

Charter continues plan to buy Carey

JACKSONVILLE — Charter Company, the oil company, has indicated that the timetable for the submission of a plan of arrangement to the Bahamian Court to acquire Carey Energy Corporation's refining assets remains unchanged.

The company said it was making the statement in response to trade sources, which have reported that other oil companies may be interested in buying Carey's refining assets.

Charter acquired 100 per cent of Carey Energy on May 15.

Carey's primary asset has been its 85 per cent interest in a 500,000-barrel-per-day refinery in Freeport, Bahamas, which is currently being operated by Receivers, pending the resolution of claims related to the Bahamian refinery operation.

Under an agreement with the Receiver, Charter has the right to process up to 325,000 barrels per day of crude oil at the Bahamian refinery, which is the Receiver's full share of refining capacity.

The company has also signed a definitive agreement with National Oil of Libya, the largest creditor of the Bahamian operation, providing for settlement of debt and supply of crude oil.

Charter also said it is preparing definitive agreements with the Bahamian operation's two other major creditors, National Iranian Oil and Standard Oil of California.

Within the next ten days, Charter said, it expects to place about $1m in escrow in the Bahamas for the full payment of small trade creditors of the Bahamian operation.

Reuter

Pipeline group in surplus

NORPIPE A/S returned a profit of NKr 102m ($19.65m) after tax for 1978, Reuter reports from Oslo. The company, which operates the pipeline from the Ekofisk field in the North Sea to Teesside in the UK and Enden in West Germany, has paid dividends totalling NKr 92m. Its sister company, Norpipe Petroleum UK, had a surplus of £1.7m after tax.

Norpipe transported 24.5m tonnes of oil equivalents during the year.

PENDING DIVIDENDS

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published.

	Date	Announcement last year
Airfix Inds.	July 19	Final 1.953
Alexanders Discount	July 3	Int 4.5
*Allen (E.) Balfour	June 27	Final 3.13
Allied Colloids	July 12	Final 1.117
Arbuthnot Latham	June 22	Final 6.23
Associated Cmunictns.	June 22	Final 4.2135
*BAT Inds.	June 26	Sec. int. 5.0
*BPB Inds.	June 27	Final 3.824
*Baker Perkins	June 21	Sec. int. 4.359
Bath and Portland	July 4	Int 1.6
*Berisford (S. and W.)	June 21	Int. 1.925
Birmid Qualcast	July 19	Int. 1.5
British Dredging	July 10	Final nil
*Burnett and Hallamshire	June 20	Sec. int. 1.427
*Butterfield Harvey	July 21	Final 1.24
*Charter Consd.	July 4	Final 5.2764
Chubb	June 28	Final 3.496
*Dawson Internatnl.	June 18	Final 1.982
Distillers	July 13	Final 4.5642
Dowty	July 19	Final 2.255
*Elliott (B.)	June 27	Final 2.668
Fodens	July 20	Final 3.36
General Electric	July 6	Final 2.045
Gestetner	July 14	Int. 2.125
Granada	July 3	Final 1.189
Great Univ. Strs.	July 20	Final 4.64
*Hambros	June 18	Final 58.467
*Hanson Tst.	June 18	Int. 3.025
Haslemere Ests.	July 20	Final 3.229
Hogg Robinson	July 18	Final 7.58
Howden	July 13	Final 3.1543
Imp. Contntl. Gas	June 27	Sec. int. 9.806
*Imperial Grp.	July 12	Int. 2.25
Initial Services	July 21	Final 6.05¶
*LCP	June 26	Final 2.79
LRC Intnl.	July 19	Final 1.53
*L Industries	June 21	Final 6.0
Lloyds Bank	July 21	Int 4.635
*MK Electric	June 27	Final 2.89
Magnet and Southerns	July 18	Final 5.432
Meyer (Montague L.)	July 17	Final 2.973
*NatWest	July 24	Int 5.682
*Norcros	June 22	Final 3.185
*Plessey	June 28	Final 2.573
*Powell Duffryn	June 27	Final 6.5
*Racal Electronics	June 21	Final 2.16
*Rank Org.	July 16	Int. 4.0
Rayback	July 12	Final 2.3512
Rediffusion	June 23	Final 3.916
*Redland	June 28	Final 2.178
Renold	June 29	Final 6.841
Rothmans Intl.	July 14	Final 1.327
SGB	June 27	Int. 2.75
*Scapa	June 22	Final 3.0
Sheepbridge Eng.	June 22	Final 2.25
*Stenhouse	Aug. 23	Int 1.82
*Tesco Stores	June 20	Final 0.9233
Thorn Elec.	July 7	Final 9.0
Town & City Props.	July 14	Final 0.01
Trusthouse Forte	June 28	Int 2.85
*Tunnel	June 21	Final 7.622
Uniqate	July 20	Final 2.105
Union Discount	July 19	Int. 6.375
Ward and Goldstone	July 21	Final 3.672
Whitecroft	June 26	Final 9.0

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves. ¶ Forecast.

BASE LENDING RATES

A.B.N. Bank	14 %	■ Hambros Bank	14 %
Allied Irish Banks Ltd.	14 %	■ Hill Samuel	§14 %
Amro Bank	14 %	C. Hoare & Co.	†14 %
American Express Bk.	14 %	Julian S. Hodge	15 %
A P Bank Ltd.	14 %	Hongkong & Shanghai	14 %
Henry Ansbacher	14 %	Industrial Bk. of Scot.	12 %
Associates Cap. Corp.	14 %	Keyser Ullmann	14 %
Banco de Bilbao	14 %	Knowsley & Co. Ltd.	15½%
Bank of Credit & Cmce.	14 %	Lloyds Bank	14 %
Bank of Cyprus	14 %	London Mercantile	14 %
Bank of N.S.W.	14 %	Edward Manson & Co.	15 %
Banque Belge Ltd.	14 %	Midland Bank	14 %
Banque du Rhone et de la Tamise S.A.	14½%	■ Samuel Montagu	14 %
Barclays Bank	14 %	■ Morgan Grenfell	14 %
Bremar Holdings Ltd.	15 %	National Westminster	14 %
Brit. Bank of Mid. East	14 %	Norwich General Trust	14 %
■ Brown Shipley	14 %	P. S. Refson & Co.	14 %
Canada Perm't Trust	14 %	Rossminster	14 %
Cayzer Ltd.	14 %	Ryl. Bk. Canada (Ldn.)	14 %
Cedar Holdings	12 %	Schlesinger Limited	14 %
■ Charterhouse Japhet	14 %	E. S. Schwab	13 %
Choulartons	14 %	Security Trust Co. Ltd.	13 %
C. E. Coates	14 %	Shenley Trust	14 %
Consolidated Credits	12 %	Standard Chartered	14 %
Co-operative Bank	*14 %	Trade Dev. Bank	14 %
Corinthian Secs.	14 %	Trustee Savings Bank	14 %
Credit Lyonnais	14 %	Twentieth Century Bk.	15 %
The Cyprus Popular Bk.	14 %	United Bank of Kuwait	14 %
Duncan Lawrie	14 %	Whiteaway Laidlaw	14½%
Eagil Trust	14 %	Williams & Glyn's	14 %
English Transcont.	14 %	Yorkshire Bank	14 %
First Nat. Fin. Corp.	14 %		
First Nat. Secs. Ltd.	14 %		
■ Antony Gibbs	14 %		
Greyhound Guaranty	14 %		
Grindlays Bank	‡14 %		
■ Guinness Mahon	14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%, 1-month deposits 11¾%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £25,000 12%, and over £25,000 12¼%.
‡ Call deposits over £1,000 11½%.
§ Demand deposits 11½%.

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p:	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
60	F.P.	11/7	81	76	B & Q (Retail) 5p	78	−2	2.46	3.8	3.2	16.7
‡115	F.P.	—	207	137½	‡Baker (John)	180	−5	12.0	—	0.9	—
‡‡	F.P.	22/6	53	51	Fulcrum Inv. Income	51½		64.0	—	11.6	—
‡‡	F.P.	22/6	4¼	3	Do. Capital 2½p	3¼	−¼	—	—	—	—
‡‡	F.P.	—	57½	36	Rock Darham	38		—	—	—	—

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price £	+ or −
20p	F.P.	11/5	21½p	17p	How'rd Wyndh'm 9% Cnv. Cum. Red. Prf	17p	−½
100	F.P.	27/7	110½	107½	Kwik Fit (Tyres) 8% Cnv. Ln. 1979/85	110	
100	—	25/6	2pm	½pm	Marsh'll's Univ'rs'l 7½% Cnv. Cum Red. Prf	½pm	½
100	£10	30/8	12	10	Portsmouth Water 8% Red. Prf. 1984	11	
100	F.P.	11/5	118½	105	Slough Ests. 8% Cnv. 1991-94	105	+1
98	£25	23/8	25½	25½	York Water 12% Deb 1986	25½	

"RIGHTS" OFFERS

Issue Price p:	Am'unt Paid up	Latest Renunc. Date		1979 High	1979 Low	Stock	Closing Price p:	+ or −
25	F.P.	8/6	6/7	51pm	40pm	Edwards (Louis C.)	44pm	−2
126	Nil	—	—	16pm	10pm	Grand Metropolitan	10pm	−½
12	F.P.	1/6	29/6	15½	9	Hampton Trust	14½	−½
100	Nil	—	—	5pm	2pm	Intl. Timber	2½pm	
154	Nil	22/6	27/7	17pm	5pm	MEPC	4pm	−½
85	Nil	—	—	36pm	16pm	P.M.A. Holdings	26pm	−2
210	Nil	22/6	20/7	60pm	40pm	Peterson Tennant	40pm	
20	F.P.	—	—	43½	29	Provincial Laundries	38	
118	F.P.	1/6	29/6	126	100	Pullman (R. & J.)	104	+4
60	Nil	—	—	26pm	23pm	Scotcros	23pm	−1
115	F.P.	11/6	2/7	136	124	Scot. Met. Prop	124	
265	Nil	15/6	27/7	295	272	Simon Engineering	272	
150	Nil	15/6	15/7	158	143	Smurfit (Jefferson)	143	+1
455	F.P.	4/6	6/7	507	470	Standard Chartered Bank	472	+2
138	F.P.	18/6	9/7	145	138	Tilling (Thomas)	137	
175	F.P.	23/5	4/7	249	210	Tricentrol	226	+6
85	F.P.	7/6	13/7	105½	93	UDS	94	−1
20	Nil	19/6	13/7	5½pm	1pm	Weeks Associates	2pm	−1

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. |||| Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 income shares and 10 Capital shares at 125p per unit.

INSURANCE BASE RATES

† Property Growth ... 11¾%
† Vanbrugh Guaranteed ... 10.87%
† Address shown under Insurance and Property Bond Table

CORAL INDEX: Close 473-478

CURRENCIES, MONEY and GOLD

Sterling helped by Budget

BY COLIN MILLHAM

Sterling commanded most attention in the foreign exchange market last week. The unwinding of a large forward position hit the pound around lunchtime on Monday, when trading was generally quiet because of a public holiday in West Germany. An order to sell sterling for D-marks came out of Paris, pushing the pound down to $2.0935, but market sentiment following the Budget was too good for sterling to remain depressed for long, and by lunch on Friday it had rebounded back to $2.1050, helped by a weakening dollar.

The increase to 14 per cent from 12 per cent in Bank of England Minimum Lending Rate prompted the rush to buy sterling on Tuesday afternoon, and with London interest rates keeping well ahead of the upward movement in European rates, the pound looks likely to remain firm in the near future.

Capital inflows may yet become a problem, although on the other side of the coin the future is clouded by doubts about inflation and trade union reaction to the Government's policies.

On the subject of coins, one of the main surprises in Sir Geoffrey Howe's Budget was the abolition of the law prohibiting the import of gold coins. Until last week the krugerrand commanded a substantial premium for domestic delivery over the price in the international market.

Now that coins can be freely imported, there is no reason for this situation to continue, however, and by the end of the week the UK and international prices for krugerrands were about the same.

Elsewhere, the weaker members of the European Monetary System continued to suffer from the strength of the D-mark. The Belgian National Bank sold DM 60m to defend the Belgian franc on Monday, DM 40m on Tuesday, and about DM 30m on Thursday. On Friday the central bank sold around $7m as the franc remained one of the two weakest currencies in the EMS.

This was despite higher interest rates in Brussels, with the Belgian National Bank raising its discount rate to 9 per cent on Wednesday, the third increase since the beginning of May.

GOLD

	June 14	June 13
Gold Bullion (fine ounce)		
Close	$279¾-280¼ (£132.9-133.2)	$278¾-279¼ (£132.8-133.2)
Opening	$278¾-279¼ (£132.5-132.8)	$279-279½ (£132.6-132.9)
Morning fixing	$279.50 (£132.044)	$278.80 (£132.447)
Afternoon fixing	$280.00 (£133.080)	$279.00 (£133.047)
Gold Coins, domestically		
Krugerrand	$287½-291½ (£136½-138½)	$289½-289½ (£136½-138½)
New Sovereigns	$72¼-74¼ (£34¼-35¼)	$72½-74½ (£34½-35½)
Old Sovereigns	$86-90 (£41¼-42¼)	$87½-89½ (£41¼-43¼)
Gold Coins, internationally		
Krugerrand	$286-290 (£136½-137½)	$287-289 (£137-138)
New Sovereigns	$72¼-74¼ (£34¼-35¼)	$71¾-73¾ (£34¼-35¼)
Old Sovereigns	$91¼-93¼ (£43¼-44¼)	$91-95 (£43¼-44¼)
$20 Eagles	$400-405	$381-386
$10 Eagles	$228-233	$228-235
$5 Eagles	$158-163	$158-163

CURRENCY RATES

June 15	Bank rate %	Special Drawing Rights	European Currency Unit
ng.	14	0.605492	0.632500
	9½	1.27232	1.33091
ian $	11¼	1.49141	1.55929
n Sch.	3¾	17.7902	18.6327
n F.	9	38.7549	40.4829
h K.	8	6.97231	7.27274
k.	3	2.41346	2.52074
ar	7	2.64897	2.76762
h Fr.	9½	5.58994	5.84268
	10½	1081.47	1130.61
	4¼	280.419	291.934
n. K.	7	6.60207	6.90142
sh Pes.	8	83.9858	87.8665
ish Kr	6½	5.56004	5.80874
Fr.	1	2.18203	2.27709

OTHER MARKETS

June 15	£	$		£ Note Rates
Argentina Peso	2701-2721	1282-1292	Austria	29-30
Australia Dollar	1.8940-1.8990	0.8990-0.9015	Belgium	65½-66½
Brazil Cruzeiro	53.35-54.36	25.33-25.85	Denmark	11.47-11.57
Finland Markka	8.38½-8.39½	3.9780-3.9800	France	9.17-9.27
Greek Drachma	77.234-79.098	36.65-3.765	Germany	3.95-4.05
Hong Kong Dollar	10.78-10.80	5.1290-5.1320	Italy	1,760-1,800
Iran Rial	152-160	72-75	Japan	457-467
Kuwait Dinar (KD)	0.549-0.559	0.2784-0.2786	Netherlands	4.32-4.42
Luxembourg Frc.	63.82-63.92	30.31-30.33	Norway	10.85-10.95
Malaysia Dollar	4.6160-4.6260	2.2015-2.2025	Portugal	100-105
New Zealand Dlr.	2.0030-2.0090	0.9510-0.9535	Spain	136½-139½
Saudi Arab. Riyal	7.07-7.17	3.3880-3.3980	Switzerland	3.55-3.65
Singapore Dollar	4.61½-4.62½	2.2004-2.2012	United States	2.10-2.11
Sth. African Rand	1.76½-1.77½	0.8380-0.8425	Yugoslavia	41½-43½

Rate given for Argentina is free rate.

THE DOLLAR SPOT AND FORWARD

June 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
	2.0960-2.1070	2.1060-2.1070	0.67-0.57c pm	3.53	1.64-1.54 pm	3.02
dt	1.9815-1.9890	1.9850-1.9860	0.80-0.70c pm	4.83	2.55-2.30 pm	4.88
tot	85.50-85.60	85.53-85.56	0.04-0.02c pm	0.42	0.14-0.10 pm	0.56
id.	2.0770-2.0840	2.0770-2.0790	0.45-0.35c pm	2.31	1.00-0.90 pm	1.83
um	30.39-30.51	30.39½-30.41	3-2c pm	0.99	6-4 pm	0.66
ark	5.4550-5.4825	5.4575-5.4600	0.90-1.40ore dis	−2.53	2.80-3.40dis	−2.31
ar.	1.8900-1.9000	1.8903-1.8913	0.82-0.72pf pm	4.89	2.22-2.12 pm	4.59
gul	49.60-49.75	49.60-49.65	35-45c dis	−9.67	80-130 dis	−9.27
	66.00-66.10	66.00-66.05	13-23c dis	−3.27	40-50 dis	−2.73
	849.00-850.75	849.10-849.60	0.60-1.20lire dis	−1.27	3.80-4.40dis	−1.93
ly	5.1800-5.1900	5.1800-5.1815	0.60-0.20ore pm	0.93	2.65-2.15 pm	1.81
c	4.3850-4.3950	4.3860-4.3880	0.25-0.15c pm	0.55	0.10pm-0.10dis	—
	219.30-219.75	219.30-219.50	0.15 pm-0.05 dis	0.14	0.60-0.30 pm	0.37
en	4.3650-4.3705	4.3650-4.3665	1.00-0.90y pm	5.19	2.55-2.45 pm	4.56
a	13.9575-14.001	13.958-13.963	4.50-4.00gro pm	3.65	13.25-11.75pm	3.58
	1.7010-1.7200	1.7010-1.7030	1.34-1.29 pm	9.27	3.75-3.70 pm	8.75

Ireland and Canada are quoted in U.S. currency. Forward premiums discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

June 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.0960-2.1070	2.1060-2.1070	0.67-0.57c pm	3.53	1.64-1.54 pm	3.02
Canada	2.4515-2.4695	2.4675-2.4695	0.69-0.59c pm	3.11	1.60-1.50 pm	2.51
Nethlnd.	4.36½-4.39½	4.36½-4.37½	2½-1½c pm	5.49	5¼-4¼ pm	4.81
Belgium	63.80-64.30	63.82-63.92	30-20c pm	4.70	63-53 pm	3.63
Denmark	11.48-11.56	11.50½-11.51½	2¼-1¼ore pm	1.56	2½-1½ pm	7.30
Ireland	1.0550-1.0615	1.0570-1.0580	09-19p dis	−1.69	43-52 dis	−2.16
W. Ger.	3.97½-4.00½	3.97½-3.98½	3¼-2½pf pm	9.04	8-7 pm	7.53
Portugal	104.00-105.00	104.35-104.65	30-90c dis	−6.89	130-230 dis	−6.89
Spain	138.35-139.25	138.95-139.20	40c pm-10c dis	1.29	55-05 pm	0.86
Italy	1,785-1,790	1,786½-1,788½	2½-1½lire pm	1.85	6½-3½ pm	0.96
Norway	10.88½-10.92	10.91-10.92	5½-3½ore pm	4.53	14-12 pm	4.76
France	9.21½-9.26	9.22½-9.23½	3½-2½c pm	2.92	7½-6½ pm	3.19
Sweden	9.17-9.21	9.19½-9.20½	3½-1½ore pm	3.59	9-7 pm	3.47
Japan	460-464	461-462	3.60-3.35y pm	9.04	9.85-8.70 pm	8.04
Austria	29.30-29.55	29.30-29.40	20-10gro pm	6.13	63-43 pm	6.54
Switz.	3.57-3.62½	3.57½-3.58½	4½-3½c pm	13.00	11½-10½ pm	11.88

Belgian rate is for convertible francs. Financial franc 66.10-66.20. Six-month forward dollar 2.65-2.60c pm; 12-month 4.65-4.55c pm.

EXCHANGE CROSS RATES

June 15	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Sterling	1.	2.107	3.983	461.5	9.234	3.578	4.370	1788	2.469	63.87
Dollar	0.475	1.	1.891	219.1	4.383	1.698	2.075	848.6	1.172	30.32
chemark	0.251	0.529	1.	115.9	2.319	0.898	1.097	448.8	0.620	16.04
ese Yen 1,000	2.167	4.564	8.629	1000.	20.01	7.752	9.469	3873.	5.349	138.4
h Franc 10	1.083	2.281	4.313	499.8	10.	3.874	4.743	1936.	2.673	69.17
Franc	0.280	0.589	1.113	129.0	2.581	1.	1.222	499.7	0.690	17.85
Guilder	0.229	0.482	0.911	105.6	2.113	0.819	1.	409.0	0.565	14.62
Lira 1,000	0.559	1.178	2.228	258.2	5.165	2.001	2.445	1000.	1.381	35.73
dian Dollar	0.405	0.853	1.613	187.0	3.741	1.449	1.770	724.1	1.	25.87
an Franc 100	1.566	3.298	6.235	723.6	14.46	5.601	6.842	2799.	3.865	100.

LONDON MONEY RATES

June 15 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
ight	—	12½-16	—	—	—	14½	12½-13½	—	—	—
s notice	—	—	13¾-13⅞	—	—	—	—	—	—	—
s or	—	—	—	—	—	—	—	—	—	—
s notice	—	13⅝-13⅞	13⅞	—	14¼	14	13	—	—	—
month	14-13⅞	14-14⅛	13¾	15-14¾	14¼	14⅝	13⅛	13¼	13½	14
months	14-13⅞	13⅞-14	—	14⅝-14¼	14¼	14¼	13½	13½	13½	14
months	13½-13½	13½-13½	13⅝-13⅞	14½-14	14¼	—	13½	13⅝	13½	14
onths	13¼-13⅛	13¼-13⅝	13-13⅛	13¼-12⅞	13½	—	—	—	12⅝	13¼
months	13-12½	12¾-13	—	13½-12½	13¼	—	—	—	—	—
ear	12⅞-12½	12⅝-12¾	12½-12¾	13-12⅝	13	—	—	—	—	—
years	—	—	12¼-12⅞	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice others seven days' fixed. *Long-term local authority mortgage nominally three years 12½-13 per cent; four years 12¾-13¼ per cent; five years 12¾-13¼ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills 13¾ per cent; four-months trade bills 13¾ per cent.

Approximate selling rate for one-month Treasury bills 13⅛ per cent; two-months 13¼ per cent; three months 13¾ per cent. Approximate selling rate for one-month bank bills 13¹¹⁄₁₆ per cent; two month 13¹¹⁄₁₆ per cent; and three-month 13⅞ per cent; one-month trade bills 13¾ per cent; two-month 13¾ per cent; and three-month 13¾ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 12 per cent from June 1, 1979. Clearing Bank Deposit Rates for small sums at seven days' notice 11½-12 per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills: Average tender rates of discount 13.3909 per cent.

MONEY RATES

NEW YORK

Prime Rate	11.5-11.75
Fed Funds	10.25
Treasury Bills (13-week)	8.98
Treasury Bills (26-week)	9.03

GERMANY

Discount Rate	4
Overnight Rate	5.55
One month	5.85
Three months	6.50
Six months	6.85

FRANCE

Discount Rate	9.5
Overnight Rate	8
One month	8.25
Three months	8.5625
Six months	8.9375

JAPAN

Discount Rate	4.25
Call (Unconditional)	5.1578
Bills Discount (three-mth.)	5.75

Upheaval in the world of the cash register

BY EDMUND BRUCE-BARKER

THE BIGGEST upheaval in the world of the cash register since its invention a hundred years ago is taking place now. It concerns both the design of machines and their marketing.

In 1879 James Ritty, a shopkeeper in Dayton, Ohio, invented the first cash register—a clock-like machine with hands to indicate dollars and cents on concentric rings, but this was soon dispensed with a favour of press-down keys and "flag" type indication of the sale. This set the pattern for the design of cash registers, or tills, as they were called, for the next 90 years.

The National Cash Register Company (now NCR) is a subsidiary of the U.S. company, John H. Patterson who bought the rights for $6,500 in 1884. It dominated the British market with little real competion for some 80 years. Gross Cash Registers was started just after the last war and grew to be NCR's biggest competitor.

Electro-mechanical registers had been invented before the war but did not come into their own until the decimalisation years when every retailer was faced with either having his registers converted or replaced.

The change to decimal currency opened the gates to imports from Japan, Germany and other countries by manufacturers who had previously ignored the UK market because of the costs involved in adapting machines specially for use with a duo decimal currency.

Traditionally cash registers had been sold direct by the manufacturers to retailers, large speciality sales forces being maintained for this form of marketing. During the run-up to decimalisation in 1971 Gross had over 350 street salesmen in the UK.

Service

After-sales service was provided from a number of local depots situated throughout the country which also held stocks of machines and sundries and provided centres for the administration of the sales force.

Agents were not used at all by NCR and sparsely by Gross and long-established importers such as Sweda of Sweden, because the available agents were mainly shops selling a wide variety of office equipment and furnishings, often including stationery, and were not willing or able to provide the continuous and spirited salesmanship considered necessary to maintain an adequate volume of cash register sales.

With this background, in the mid-1970s three things were happening simultaneously.

The new electronic technology was replacing the conventional electro-mechanical machine with an entirely new breed of cash registers. These were models that could sort and remember a whole mass of data, that could classify sales into a vast number of separate totals and be pre-set to the price of *goods so that a particular item* could be rung up simply by touching one key instead of the *keys for the amount in pounds* and pence as hitherto.

Coupled with this, the so-called "terminal register" had reached a stage of design and sophistication which provided central control of any number of outlets. While acceptance has been slow in the UK. It is looked upon by most manufacturers as the cash control system of the future for all *multiple stores.*

A "terminal" system consists of freestanding units with keyboards and cash drawers, giving normal visual indication of pur*chases and also issuing a customer's* itemised bill. But the registers also transmit all the information to a central processing computer which analyses sales by locality, department, type of goods, price etc. The registers therefore feed in the data for stock control, budgetary control, financial reporting and *future marketing guidance.*

Secondly, the electronic registers coming into the U.K. from Japan and the U.S., needed marketing facilities including back-up service and readily available sundries.

Thirdly, rising inflation, increased wages, rents and rates and other overheads have increased depot costs considerably. Dearer petrol has put up delivery costs as well as sales and service costs.

British manufacturers are squeezed between these increased costs and the failure of sales volume to keep pace with them because of the vastly increased competition. NCR, well established in the computer world and among the leaders in the terminal-register field, cut back considerably on their sales force and now employ specialist, highly-trained staff concentrating largely on multiple retail outlets and terminal installations.

Gross, now owned by Chubb and Son and trading as Chubb Cash, reduced the force of street salesmen to about 150 and also closed some depots.

The new importers set up subsidiary companies or appointed main agents for their machines and found, perhaps unexpectedly in some cases, that the marketing problem had been largely solved for them.

Agents

In fact a new race of agents had emerged. Sales personnel who had left NCR and Gross or who had been made redundant were taking shops and setting up their own specialist agencies. In some cases they handled other equipment such as microwave ovens and scales. But cash registers were their main interest and source of income. They understood the product through and through and how to sell it. They were able to engage service personnel, usually from their old companies. They had good customer contacts within their areas. And they welcomed with open arms the opportunity of selling good quality machines from Japan, the U.S., and a few from Germany that were modern, competitively priced and offered good rates of discount.

Imports of cash registers into Britain—mostly from Japan—rose from 21,609 (£8.9m) in 1977 to 31,248 (£15.1m) in 1978. Over the same period exports of British machines fell from 8,899 (£9.2m) to 950 (£475,000).

In the past two years new agencies have opened month by month. There are probably between 150 and 200 in the UK today. Norfrond, which handles the Geld range from Japan, says it now has a network of more than 50 dealers selling and servicing their machines.

Most other imported makes are now represented by a varying number of these specialist agencies throughout the country and more are springing up.

Some agents handle models from more than one manufacturer, though they tend to spe*cialise in a particular make* which they carry as stock items. Most are able to supply second-hand machines which have been traded-in and reconditioned by their own service staff.

There are thus three influences at work in the market today: the large organisations manufacturing and installing terminals, manufacturers selling direct to customers, and the specialist agencies handling the wide range of imported electronic machines.

How will this complex marketing position develop?

With the exception of NCR which still offers electronic registers to the independent retail trades, as well as terminal installations to the larger companies, most of the terminal manufacturers and suppliers, including ICL, and IBM, Nixdorf and TRW of the U.S., are *aiming at world-wide distribution* and will concentrate in the UK, as elsewhere, on the multiple chain-store retailers.

Acceptance of terminals continues to be slow in the UK. Competition will undoubtedly become more intense as more of the large retailers decide to invest in these installations. The *specialist agencies may* well be welcomed to ferret out interested companies and sell to them with the manufacturer's expert stepping in to finalise details, arrange delivery and handle the installation of the system.

Lasers

More sophisticated models will continue to become avail able to the specialist dealer offering such facilities as light pen and laser registration speeding check-out procedure by registering the amount whe a hand held "pen" is passe over suitably marked goods o they are briefly held in th beam.

But security against "milkin the till," rather than spee remains the biggest attractio for retailers, multiples an independents alike, as it wa when Ritty made his fir registers in Dayton.

The future of Gross, the on British manufacturer sti actively street-selling to a types of retailers, must rema a matter for some conjectur Clearly Chubb, with a turnov for the year ending March 3 1978, of nearly £200m and profit before taxation of £13 can sustain the cash regist *operations for as long as th* decide to do so. They are al capable of entering the termi field with their own produ though one would assume th this is being considered wi caution.

INSURANCE · APPOINTMENTS · WORLD STOCK MARKETS

Higher premiums to follow rise in VAT

BY OUR INSURANCE CORRESPONDENT

THE RAISING of VAT to 15 per cent has forced insurers immediately to begin paying out more money on many of the claims they handle — denying them the chance to collect in advance any extra premium to meet their additional liabilities. This obligation is not just on claims notified from this day forward but on claims already on the books for which bills have not yet been submitted.

The change in the rate of VAT has most impact on personal lines claims, claims for repairs by private motorists and claims for home repairs and replacements by private householders. The private citizen is last in the VAT line and insurers, in providing the promised indemnity, have to pick up the private citizen's VAT bill.

Because only a percentage of motor claims payments are for private car damage repairs (and this percentage will vary according to how much "comprehensive" business the individual insurer writes), motor insurers probably face an immediate cost increase on private car business not of the full extra seven points of VAT but something between 4 per cent and 5 per cent.

As for claims on commercial motor business, whether fleet-rated or individual, the immediate impact of the VAT change on damage repairs is likely to raise the total bill by no more than 2 per cent, because the VAT surcharge will have to be met only on liability claims made by "third party" private motorists.

The cost of household claims, whether for buildings or contents, must rise by nearly the full VAT increase: for the small number of home policyholders able to recoup VAT can be of no mathematical significance. But the cost increase for buildings claims will be greater than for contents claims because household purchases have hitherto been subject to three different rates of VAT—12½ per cent on luxury goods, electrical appliances and so on, 8 per cent on most other goods and nothing on food. In consequence the immediate increase in the cost of household claims is likely to be in the 5 per cent to 6 per cent bracket.

Insurers employ a whole range of independent experts in their day-to-day servicing of claims—motor engineers, loss adjusters, lawyers, doctors, accountants, surveyors. Services supplied will at once carry an extra seven points of VAT. As there is scarcely any class of insurance business where an expert is not employed at some time, costs must increase in all sectors

So the VAT increase must mean price increases, particularly and more immediately for private motorists and for householders. All insurers writing private car business must now be considering whether they need their text rating increase either soner than previously planned or for an amount greater than previously contemplated, or both.

In consequence, there will scarcely be any motor insurers—other than those already close to the end of their present rating cycles—who will not require a second premium increase within 12 months, with all the dislocation of business flow, with all the peaks and troughs of lapses and acceptances that follow.

On the household side, a high percentage of many insurers' business is index-linked: it might therefore be thought that in a short space of time the appropriate indices will pick up the VAT increase for renewal sums insured and therefore renewal premiums. But this is only true in the case of contents insurance, where most insurers rely on the durable goods sections of the Retail Price Index. The building index developed by the RICS, does not include VAT, and so insurers now have to decide whether to change *course and inject VAT into this* index and let the increase work through on sums insured and therefore premiums, or to leave the index as it is and perhaps raise their standard rates for buildings cover.

Where household policies are not index-linked, the under-insurance gap is likely now to widen, and insurers will have to redouble their efforts to correct under-insurance: perhaps they may even have to rethink sanctions by which they can penlise the more flagrant cases.

Indeed on the household side the VAT change makes it clear that the sooner all insurers can get 100 per cent indexation on all business the better it will be, provided such indexation can take into account all the tax tricks that future Chancellors can devise.

APPOINTMENTS

Allen Harvey post changes

Mr. Michael Lawrence has been appointed managing director of ALLEN HARVEY AND ROSS INVESTMENT MANAGEMENT and of ALLEN HARVEY AND ROSS UNIT TRUST MANAGERS. Mr. Ian Stephenson has also been appointed a director of the two companies. Allen Harvey and Ross Investment Management and Allen Harvey and Ross Unit Trust Managers are wholly owned subsidiaries of Allen Harvey and Ross, members of the London Discount Houses Association.

*

Mr. Colin M. Capps, has been appointed managing director of METERING PUMPS, a member of the Mono Group of Companies. He succeeds Mr. D. C. Cave who has retired but continues to act as a consultant for the Mono Group.

*

Mr. Alastair Lee Taylor has been appointed managing director of INGERSOLL GROUP, a subsidiary of the Heron Corporation. Mr. Taylor's appointment includes the Ingersoll watch division, George Butler of Sheffield (cutlery) and Ingersoll Electronics. Also announced is the retirement of Mr. Frank Edwards, managing director of Ingersoll Limited. Mr. Edwards will be staying on at Ingersoll until the end of September to help with the reorganisation of the watch division, which includes the appointment of Mr. Des Johnson as sales director, and Mr. Ian Latham as sales manager. Mr. John Gourley joins as plant manager and Mr. John Bischoff remains as director and general manager in charge of administration.

*

Mr. Neil Ashcroft, senior deputy clerk of DERBYSHIRE COUNTY COUNCIL, has been appointed clerk and chief executive. He takes over the post when Mr. Harry Crossley retires at the end of August.

CONTRACTS

Davy wins £10m coal preparation plant order

The process engineering division of DAVY INTERNATIONAL (MINERALS AND METALS) has been awarded a contract by the National Coal Board to design, supply, build and commission a new coal preparation plant at Kellingley colliery, North Yorkshire.

The order is expected to be worth about £10m and, in cost, will be the second largest coal preparation plant contstructed in the UK. The plant will be designed to handle 1,000 tonnes an hour of run of mine coal.

*

A £200,000 contract has been signed between TRRL and DUNLOP of Holbrook Lane, Coventry, to develop an anti-locking brake system suitable for motor-cycles.

*

C. and S. Paints has placed a £150,000 order for four and 10-litre plastic paint conatiners with THURGAR BOLLE injection moulders.

*

RUSH AND TOMPKINS has received contracts worth £2.25m. The largest, worth £720,000, is for a 7,000 square metre building at Team Valley Trading Estate, Gateshead, and other work includes two blocks of terraced factory units at South Bank, Middlesbrough, for English Industrial Estates at £650,000 and office rebuilding at Osbourne Terrace, Newcastle for Muncipal Mutual Insurance at £489,000.

TEL AVIV

Company	Prices June 17 1979	Change on the week
Banking, Insurance and Finance		
Bank Leumi le Israel	382	+ 10.0
IDB Bankholding	452	+ 5.0
Bank Hapoalim Br.	457	− 13.0
Union Bk. of Israel Br.	389	+ 19.0
United Mizrahi Bank	288	+ 7.0
Hassneh Insurance Br.	[illegible]	− 25.0
General Mort. Bank Br.	308	+ 18.0
"Tefahot" Israel M. B.	405	+ 14.0
Land Development		
Africa Israel Inv. I£10	1,010	+ 5.0
Israel Land Devpt. Br.	235	+ 21.0
Property and Building	481	+ 60.0
Public Utility		
Israel Electric Corp.	240	− 8.0
Investment Companies		
Bank Leumi Invest.	328	+ 35.0
"Clal" Israel Invest.	—	—
Discount Invest.	319	+ 20.0
Commercial and Industrial		
Alliance Tire & Rubber	1,280	+ 31.0
Elco Br.	290	+ 1.0
Argaman Textile Br.	351	+ 1.0
"Ata" Textile "B"	167.5	− 7.5
Amer. Israel Ppr. Mills	813	− 65.0
Assis	537	+ 83.5
Elite	372	+ 2.0
Teva Reg.	898	+ 48.0
Fuel and Oil		
Delek	259	− 1.0

Source: Bank Leumi le Israel BM. Tel Aviv.

Indices

NEW YORK – DOW JONES

	June 15	June 14	June 13	June 12	June 11	June 8	1979 High	1979 Low	Since Compil't'n High	Since Compil't'n Low
Industr'ls	845.30	842.34	842.17	845.29	857.58	855.15	878.72 (10/4)	807.00 (27/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	85.51	85.26	85.21	85.00	84.77	84.83	85.90 (2/2)	82.92 (8/6)	—	—
Transport	240.90	241.09	241.72	241.87	239.29	238.46	241.87 (12/6)	205.78 (27/2)	279.88 (7/2/69)	12.23 (8/7/32)
Utilities	105.29	105.07	105.75	105.18	103.93	103.82	105.75 (15/6)	98.61 (15/5)	[illegible] (20/4/69)	10.58 (28/4/42)
Trading vol 000's	33,010	37,970	40,660	45,538	28,298	31,640	—	—	—	—

Day's high 847.11 low 837.40

Ind. div. yield %	June 8	June 1	May 25	Year ago (approx)
	6.07	6.16	6.01	5.45

STANDARD AND POORS

	June 15	June 14	June 13	June 12	June 11	June 8	1979 High	1979 Low	Since C'mpil't'n High	Since C'mpil't'n Low
Indust'ls	115.34	115.51	115.61	114.38	115.41	112.87	116.69 (8/1)	107.08 (27/2)	134.64 (11/1/73)	3.53 (30/6/32)
Composite	102.09	102.25	102.31	102.85	101.81	101.49	103.54 (10/4)	96.15 (27/2)	125.85 (11/1/6)	4.40 (1/6/32)

	June 13	June 6	May 30	Year ago (approx)
Ind. div. yield %	0.24	5.28	5.58	4.90
Ind. P/E Ratio	7.98	7.92	8.38	9.44
Lon Gov. Bond Yield	8.81	8.95	8.98	8.44

EUROPE

AMSTERDAM · BRUSSELS/LUXEMBOURG · SPAIN · COPENHAGEN · STOCKHOLM · VIENNA · GERMANY · SWITZERLAND · MILAN · OSLO · PARIS · AUSTRALIA

TOKYO

June 15	Prices Yen	+ or −	Div. %	Yld. %
Asahi Glass	341		14	[illegible]
Canon	590	−10	12	[illegible]
Casio	720	−40	25	[illegible]
Chinon	351	+1	20	2.8
Dai Nippon Print	559	16	18	1.6
Fuji Photo	615	−5	15	1.2
Hitachi	240	−1	12	2.5
Honda Motors	579	13	18	1.6
House Food	860		35	[illegible]
C. Itoh	348		12	1.7
Ito Yokado	1,360	10	30	1.1
Jaccs	404	19	15	1.3
J.A.L.	2,890	−10		
Kansai Elect.Pw	1,040		10	0.5
Komatsu	355	−3	18	2.7
Kubota	265		15	2.6
Kyoto-Ceramic	3,300	−30	35	0.5
Matsushita Ind.	706	−5	20	1.4
Mitsubishi Bank	337		10	1.5
Mitsubishi He'vy	145	+1	12	4.1
Mitsubishi Corp	460	+1	13	1.4
Mitsui & Co.	303		14	2.3
Mitsukoshi	467		20	2.1
Nippon Denso	1,480	−20	15	0.5
Nippon Shimpan	607	−4	12	1.0
Nissan Motors	700	−10	16	1.1
Pioneer	2,070	−40	[illegible]	1.2
Sanyo Elect.	325	−5	12	1.3
Sekisui Prefab.	718	−3	30	2.1
Shiseido	1,050		30	1.0
Sony	2,140	+40	40	1.0
Taisho Marine	241		11	2.3
Takeda Chem	496	10	15	1.6
TDK	1,720	30	30	0.8
Teijin	156	−1	10	3.7
Tokyo Marine	513	−6	11	1.1
Tokyo Elect Pow	955	+17	3	0.4
Tokyo Sanyo	457	−2	12	1.3
Toray	158	−1	10	3.2
Toshiba Corp.	144		10	3.5
Toyota Motor	932	−22	20	1.1

Source Nikko Securities, Tokyo

BRAZIL

June 15	Price Cruz	+ or −	Cruz Div.	Yld %
Acesita	1.16		0.14	12.07
Bancodo Brazil	1.65	−0.02	0.11	6.59
Banco Itau PN	1.31		0.10	7.63
Belgo Mi'eira OP	1.76	−0.01	0.10	5.68
Lojas Amer O.P.	2.04	−0.01	0.20	9.75
Petrobras PP	1.21	−0.36	0.13	8.18
Pirelli OP	1.21	−0.01	0.08	6.66
Souza Cruz OP	[illegible]		0.08	3.86
Unip PE	4.50	−0.05	0.25	5.49
ValeRioDoce PP	1.60	−0.05	0.15	9.09

Turnover Cr 116.010m Volume 75.207m
Source: Rio de Janeiro SE.

HONG KONG

Hong Kong $	June 15	June 9
Amalgamated Rubber	4.00	4.00
Cheung Kong	11.20	11.00
China Light & Power	20.60	21.40
Cosmopolitan Prop.	1.50	1.495
Cross Harbour Tunnel	9.20	
E. Asia Navigation	5.20	5.25
Hang Seng Bank	74.50	†150.00
Hong Kong Electric	4.50	4.55
Hg. Kg. Kowloon Wharf	35.25	†34.00
Hong Kong Land	7.10	7.30
Hg. Kg. Shanghai Bank	13.10	13.10
Hg. Kg. Shanghai Hotel	16.50	17.40
Hg.Kg. Telephone	23.70	23.70
Hutchison Whampoa	4.35	4.40
Jardine Matheson	11.50	11.70
Jardine Secs.	7.20	7.20
New World Development	2.00	2.05
Rubber Trust	6.60	7.00
Sime Darby	5.10	6.00
Swire Pacific A	8.00	8.15
Wheelock Marden A	3.35	3.55
Wheelock Maritime A	3.65	†3.65
Winsor Industries	2.80	2.825

† Buyer. ‡ Seller.

JOHANNESBURG

MINES

June 15	Rand	+ or −
Anglo American Cpn.	8.25	[illegible]
Charter Consolidated	[illegible]	−0.20
East Driefontein	16.00	+0.20
Elsburg	2.15	
Harmony	8.15	[illegible]
Kinross	6.82	−0.02
Kloof	15.00	[illegible]
Rustenburg Platinum	2.87	[illegible]
St. Helena	17.75	[illegible]

WALL STREET

NEW YORK

INTERNATIONAL BONDS

BY JOHN EVANS

The 'recession' rally falters

THE EURODOLLAR bond market, convinced a week ago that 10 per cent coupons for new issues would prove the high-water mark for bond returns in the current market cycle, appeared much less certain of itself by last Friday.

The market's determined three-week rally, supported by renewed institutional investing activity and prompting a new issue calendar of more than $1bn, was starting to falter ahead of the weekend.

Some dealers have dubbed the dollar market's recent upturn as the "recession" rally, *based on tangible evidence that* U.S. economic activity is slowing with consequent benefits for fixed-interest securities.

By mid-week, the outlook still looked good. Eurodollar interbank *rates dropped to a low* for the year, after Morgan Guaranty cut its prime rate to 11½ per cent.

Some institutional investors, while still sitting on huge cash positions, were committing increasing amounts to bonds because of the possibility that a cyclical downturn in U.S. interest rates had begun. The strong undertone in the dollar also reinforced confidence.

The picture was bright enough for one issuing house to state publicly that the recent $60m Alcoa Australia 10 per *cent bond could prove the last* double-figure coupon during the present Eurobond cycle.

But the latest weekly U.S. money supply statistics, showing a record $6.9bn jump in the basic M1 measure, helped to sour the outlook, and cast new doubts over a sustained downturn in American interest rates.

The market rally, already looking vulnerable because of the volume of new bonds, some of which were priced on aggressive terms, was quickly brought to a halt by profit-taking.

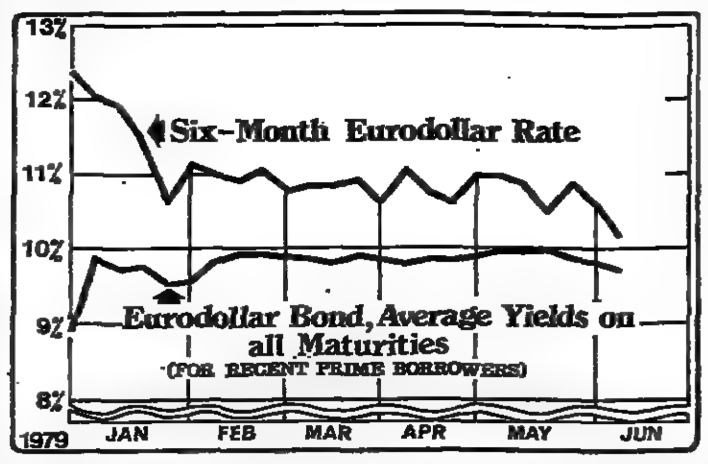
Some participants believe last week's setback may be temporary. But, judged on *advice issued to institutions* by some analytical services last Friday, there are still deep reservations.

Kidder Peabody feel that certain sceptical fund managers have *only thrown in a small* proportion of their cash reserves as a concession to market forces, and "not because they believe that a cyclical peak in interest rates has been reached."

Kidder Peabody reportedly found good demand for its offer of $20m of 10-year convertible bonds for LPC International Finance, a unit of Lear Petroleum of Dallas. The coupon is indicated at between 8 and 8½ per cent.

A new twist on the convertible floating rate bond formula is being offered by IC Industries, *with a $75m 12-year issue carrying* a margin of ¼ per centage points over interbank rates.

The bonds are freely convertible into an 8½ per cent fixed rate bond at any time. The device is said to offer investors a better chance to guard against interest rate fluctuations than the recent Manufacturers Hanover and TVO Power convertibles, which also offered fixed rate elements.



The $100m of floating rate notes from National Westminster Bank received a subdued reception. Dealers noted that long-term floaters had seen some selling last week, after the *decline in short-term Euro*dollars.

Meanwhile, Nippon Credit Bank is offering $50m of seven-year FRN's, with a margin of ¼ per centage points and minimum coupon of 6½ per cent. Lead manager is Morgan Stanley International.

Despite last week's two-point jump in the British minimum lending rate, Finance for Industry, the UK financing agency, is tapping the Eurosterling market again with a £30m 10-year issue carrying a 12½ per cent coupon.

Lead manager S. G. Warburg has already arranged the pre-placement of £10m of the issue. No pricing level is yet being indicated.

The outstanding FFI bonds due 1989, currently yield 12.3 per cent while, in the domestic Gilt-edged market, War Loan returns 11.34 per cent.

Deutsche-Mark Eurobonds gathered strength throughout the week. Heavy demand was evident for the new DM 100m 12-year issue bearing 8 per cent for Norges Kommunalbank, the first foreign issue to corry such a high coupon.

Demand was such that lead maneger Westdeutsche Landesbank is said to have the oppor*tunity to reduce the coupon, or* price above par.

The DM sector's recovery is largely associated with the Deutsche-Mark's strength within the European Monetary System. *Dealers believe* the German authorities must moderate their recent tight domestic monetary policies, in order to prevent unmanageable revaluation pressures from building up around their currency within the EMS.

Elsewhere, Swiss franc foreign issues were steadier, drawing indirect support from intervention operations by the Swiss National Bank in *the domestic* market. The third-quarter calender for domestic issues has also been cut drastically to SwFr 1.9bn.

In foreign issues, the Spanish *highways agency*, Aumar, is to offer SwFr 60m of 10-year bonds bearing 5 per cent. Union Bank of Switzerland is the syndicate leader for this public issue.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡Alcoa of Australia	60	1989	8.5	10	100	Crédit Suisse First Boston	10.0
‡Kennecott Int.	100	1986	7	9½	99½	Morgan Stanley	9.60
General Motors	100	1986	7	9¼	100	Chemical Bank	9.25
†Soc. Gen. Alsac. de Banque	20	1989/91	—	5¼°	100	Société Générale	5.83°
†Nat. Westminster	100	1994	14.75	5¼°	100	County Bank	5.31°
Hoechst	125	1989	—	6¾	100	Dresdner Bank	6.75
Gulf & Western	35	1984	5	9¾	*	Kidder Peabody	*
Orient Leasing	25	1986	5½	9½	*	Daiwa Europe	*
††Leumi Int. Inv.	75	1986/89	—	6°	100	Bank Leumi	6.09°
‡Unilever	100	1987	8	9½	99½	AmRo	9.34
GTE Finance	55	1989	8	9¾	100	Salomon	9.75
§AGA AB	25	1989	—	7¾	100	Hambros Bank, Svenska Handelsbanken	7.75
†IC Industries	75	1991	10	8¼‖	100	Paribas, Merrill Lynch	—
†Banque Sudameris	30	1987	—	6°	100	Banca Comm. Italiana	6.09°
†Banque Ext. d'Algerie	50	1989	7½	7¼°	100	Dillon Read	7.38°
§LPC Int. Finance	20	1989	—	8/8½	100	Kidder Peabody	*
Nippon Credit Bank	50	1986	7	6½°	100	Morgan Stanley	6.61°
†Iberpistas	18	1986	6½	7°	100	Smith Barney, Harris Upham	7.12°
D-MARKS							
‡Sweden	200	1989	10	7¾	100	Dresdner Bank	7.75
‡Inter-American Dev.Bk.	100	1986	7	7¾	100	Deutsche Bank	7.75
Norges Kommunalbank (g'teed Norway)	100	1991	8½	8	100	WestLB	8.0
FRENCH FRANCS							
‡Renault	100	1985	6	9¾	100	Société Générale	9.75
SWISS FRANCS							
Aumar Autopistas del Mare Nostrum (g'teed Spain)	60	1989	n.a.	5	*	UBS	*
STERLING							
FFI	30	1989	8.9	12½	*	S. G. Warburg	*
LUXEMBOURG FRANCS							
‡Cegedel	550	1989	¶	8.2	100	Banque Gen. du Lux.	8.2

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ° Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund. ‖ Optional fixed rate.
Note: Yields are calculated on AIBD basis.

CONVERTIBLES

BY FRANCIS GHILES

Japanese revert to the dollar

JAPANESE corporate borrowers, *who for the last 12 months have* favoured borrowing in D-marks and Swiss francs are now reverting to the more traditional dollar.

The reasons for this shift are three-fold: interest rates, currency risk, and an apparent re-think on the part of the Japanese authorities as to the wisdom of a large number of smaller companies tapping hard currency markets in such quantity.

The narrowing interest rate gap between the dollar, on one hand, and Swiss franc and D-mark denominated long term funds, has made borrowing in the latter — and particularly the D-mark — increasingly less attractive to the Japanese corporate treasurers.

Recent currency shifts have played their part as well. In last year's hey-day for strong currency Japanese convertibles, Japanese companies felt that the yen would probably share the fortunes of the D-mark and that D-mark borrowing woud offer the happy combination of negligible currency risk and low interest rate costs. Since the beginning of this year the yen has fallen 8 per cent against the D-mark.

Japanese borrowers became disenchanted at the way the D-Mark sector turned sour on them. They were caught in the weakness of the D-Mark sector which followed the strengthening of the dollar at the end of last year. The deterioration in borrowing terms was compounded by the indigestion of investors caused by the seemingly endless queue of names, some rather obscure, which was waiting to tap the market.

At the beginning of this year the Japanese turned to Switzerland in search of low coupons and surged into the Swiss franc market en masse. The German *story has* been repeated. They are now having to pay ever higher interest rates. Investors have begun to display weariness when faced with yet another Japanese name.

There are now signs of a rethink in Japan. The Japanese finance ministry decided recently that in future it would give approval for foreign issues by Japanese companies on a monthly basis, rather than quarterly, to allow the issue programme to remain more flexible. It is notable, too, that the intended size of each issue is no longer announced in advance.

Thirteen Japanese companies have obtained permission to float dollar denominated bonds during the quarter beginning in July. In contrast to the list of names applying for D-Marks and francs, these dollar borrowers are mainly prime corporate names.

It was notable that a fair number of essentially second-rate Japanese companies approached the Swiss franc and D-Mark markets.

The logic of the exercise was that the combined appeal to European investors of the D-Mark, the yen and the Japanese stock market allowed the companies to issue convertible — essentially delayed — equity on terms cheaper than they could achieve in Japan.

So long as the conversion followed quickly such financing made sense. But with an increasing number of cases where rapid conversion has not occurred, with a weakening stock market and a weakening yen, it is not surprising that there are now some doubts in Japan as to the wisdom of this approach.

U.S. BONDS

BY JOHN WYLES

A severely bruised confidence

THE BREEZY confidence which has taken increasing hold on the U.S. bond market since early May was severely bruised at the end of last week when doubts started to appear about whether the market's rally could be sustained.

Although the Federal Reserve Board's publication late on Thursday of record increases in the money supply had sent a few faint hearted investors scurrying for assurances that one week's figures do not a trend make, it *was Friday's news of a 1.3 per* cent rise in industrial production in May which had the market nervously chewing its lip.

The surge in prices of both corporate and Treasury bonds *during the past month has fed* on a steady diet of indications that the economy was slowing sharply and that, therefore, interest rates had every chance of coming down.. During this period short-term rates have fallen by up to 90 basis points and when, last Tuesday, Morgan Guaranty Trust Company cut its prime rate from 11¾ per cent *to 11½ per cent the market felt even more confident of its reading of events.*

On that day the Treasury's 9¼ ten-year notes, sold on May 1 *to yield a record 9.37, climbed* 12/32 so that the yield was slashed to 8.80 per cent. Although the market had softened a little by Friday morning, not even the money supply *figures had effectively wiped* the blush off its cheek.

But the rise in industrial production, which virtually offset the 1.4 per cent fall in April *largely due to the trucking* industry's strike, raised suspicions that the last rites being said over the economy may be a little premature. During the coming week the market's direction could be crucially influenced by other indicators for May which are due to be released—housing starts today, personal income tomorrow, and *durable goods orders on* Thursday.

Friday's sharp drop in prices left three-month Treasury bills yielding 9.14 per cent compared *with 8.93 per cent the day be*fore and only five basis point lower than at the end of th previous week. Long terr Treasuries dropped aroun 16/32 which effectively wipe out gains scored earlier in th week. Many corporates fare much better, however, an among recent issues, Duk Power's 30 year bonds rose t 1¾ on the week to reduce the yield from 10.18 per cent : issue to 9.94 per cent. Mo illustrative of the progre made in the current rally a the 9¾/4 per cent Gener Motors Acceptance Corporati 24 year debentures. Sold April 24 at par they were quot at the end of last week at 10 bid to yield 9.42 per cent.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES

	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS

	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
June 15 ...	96.33	8.67	89.39	8.4[illegible]
June 8 ...	96.32	8.65	89.40	8.4[illegible]
High '79...	96.75	(1/2)	89.99	(30/1[illegible]
Low '79 ...	94.40	(11/1)	88.67	(28/2[illegible]

EUROBOND TURNOVER

(nominal value in $m)

U.S. $ bonds	Cedel	Euroclear
Last week	493.0	1,540.[illegible]
Previous week ...	436.3	1,497.[illegible]
Other bonds		
Last week	216.3	253.[illegible]
Previous week ...	208.7	298.[illegible]

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week= Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. M=Minimum coupon. C.dte=Date next coupon becomes effective. Spread =Margin above six-month offered rate for U.S. dollars. C.cpn= The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day= Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; E. F. Hutton Services SARL; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bondtrade; Banque Francaise de Credit International; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on June 15

هكذا من الأصل

A copy of this Offer for Sale, having attached thereto the documents specified below, has been delivered to the Registrar of Companies for registration. Application has been made to the Council of The Stock Exchange for the issued Ordinary Shares of Standard Telephones and Cables Limited ("STC") to be admitted to the Official List. This Offer for Sale includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to STC. The information set out in this Offer for Sale concerning STC and its parent company, International Telephone and Telegraph Corporation ("ITT"), has been provided to S. G. Warburg & Co. Ltd. by the Directors of STC. The Directors of STC have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the Directors of STC accept responsibility accordingly.

No person receiving a copy of this Offer for Sale and/or a Form of Application in any territory other than the United Kingdom may treat the same as constituting an invitation to him nor should he in any event use such Form of Application unless in the relevant territory such an invitation could lawfully be made to him without compliance with any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself as to full observance of the laws of the relevant territory in connection therewith, including the obtaining of any government or other consents which may be required or other formalities needing to be observed or transfer or other taxes requiring to be paid in such territory.

The Application List for the Ordinary Shares now offered for sale will open at 10 a.m. on Thursday, 21st June, 1979 and may be closed at any time thereafter.

STC

Standard Telephones and Cables Limited

(Incorporated in England under the Companies (Consolidation) Act 1908, number 106921)

Offer for Sale

by

S. G. Warburg & Co. Ltd.

of

15,000,000 Ordinary Shares of 25p each at 160p per share payable in full on application

The Ordinary Shares now offered for sale rank in full for all dividends hereafter declared or paid on the Ordinary Share capital of STC.

SHARE CAPITAL

Authorised £30,000,000 in 120,000,000 Ordinary Shares of 25p each — *Issued and fully paid* £25,000,000

INDEBTEDNESS AND GUARANTEES

On 19th May, 1979, STC and its subsidiaries had outstanding bank overdrafts and short-term loans of £40,311,000 (£9,000 secured), long-term loans of £24,108,000 (£308,000 secured), debenture stocks of £977,000, a guarantee of indebtedness in respect of an associated company of £835,000 and guarantees of indebtedness of another subsidiary of ITT of £48,828,000. In connection with this Offer for Sale, STC has requested and obtained from ITT an indemnity in respect of any loss to STC arising out of the latter guarantees which will expire in December, 1979 and will not be renewed. In addition at 19th May, 1979, STC had outstanding guarantees of indebtedness of former subsidiaries not exceeding £15,200,000. ITT (United Kingdom) Limited ("ITT (UK)") has undertaken to assume responsibility for these guarantees and the financial institutions involved have indicated that STC's guarantees will be released on completion of the necessary formalities. Foreign currency indebtedness has been translated into sterling at exchange rates ruling on 19th May, 1979. Except as aforesaid and as disclosed in this Offer for Sale and except for indebtedness and guarantees within the STC Group, neither STC nor any of its subsidiaries had outstanding at that date any loan capital, mortgages or charges, borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments or guarantees or (except for contingent liabilities arising in the ordinary course of business) other material contingent liabilities.

DIRECTORS OF STC
Kenneth G. Corfield, D.Univ.(Surrey), F.Eng., F.I.Mech.E.
(Chairman and Chief Executive)
190 Strand, London WC2R 1DU.
Raymond L. Brittenham* (U.S. Citizen)
320 Park Avenue, New York, NY 10022, U.S.A.
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80 Eaton Square, London SW1W 9AP.
James V. Lester* (U.S. Citizen)
320 Park Avenue, New York, NY 10022, U.S.A.
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The Rt. Hon. The Lord Penney,* O.M., K.B.E., F.R.S., M.A., Ph.D., D.Sc.
190 Strand, London WC2R 1DU.
The Rt. Hon. James E. Ramsden*
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Kenneth M. Walton, B.A. (Admin.), F.C.M.A., J.Dip.M.A.
190 Strand, London WC2R 1DU.
*Non-executive

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STOCKBROKERS
Cazenove & Co.
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and at The Stock Exchange.
L. Messel & Co.
100 Old Broad Street, London EC2P 2HX
and at The Stock Exchange.
SOLICITORS TO STC
Slaughter and May
35 Basinghall Street, London EC2V 5DB

SOLICITORS TO THE OFFER
Linklaters & Paines
Barrington House, 59-67 Gresham Street,
London EC2V 7JA.
AUDITORS AND REPORTING ACCOUNTANTS
Arthur Andersen & Co., Chartered Accountants
1 Surrey Street, London WC2R 2PS.
SECRETARY AND REGISTERED OFFICE
S. John Valley, A.C.I.S., Barrister
190 Strand, London WC2R 1DU.
REGISTRARS AND TRANSFER OFFICE
Midland Bank Limited, Registrar's Department
Courtwood House, Silver Street Head, Sheffield S1 3RD.

Introduction

STC is a U.K. subsidiary of ITT, a U.S. corporation with worldwide interests in telecommunications and electronics, engineered products, consumer products and services, natural resources and insurance and finance. ITT's operations in the United Kingdom include all these areas of activity except natural resources.

Prior to a recent reorganisation ITT's principal U.K. interests (other than insurance) were held by STC. Following the reorganisation the holding company for these interests is ITT (UK), a wholly-owned ITT subsidiary. ITT (UK) now has two main subsidiaries, (a) STC which, with its subsidiaries, comprises ITT's U.K. activities in telecommunications and electronics and its principal U.K. activities in components, and (b) ITT Industries Limited which, with its subsidiaries, comprises a substantial part of ITT's other U.K. industrial interests.

Following this Offer for Sale of 15 per cent. of the share capital of STC, ITT will own through ITT (UK) the remaining 85 per cent. ITT intends that STC should continue as a member of the ITT group and has no plans for further disposals of its shareholding in STC.

Reasons for Offer for Sale

ITT believes that, where practicable, it is desirable for its major telecommunications subsidiaries outside the United States serving predominantly local markets to have a degree of local ownership. ITT already has telecommunications subsidiaries in several countries in which there are significant local shareholdings and has decided that a similar policy should be adopted in relation to STC.

STC has a British management and attaches great importance to its national identity. It is a major supplier to the Post Office and supplies other U.K. governmental and commercial organisations. ITT and STC believe that the introduction of a local shareholding in STC will reinforce STC's national identity and its relationships with its U.K. customers.

History of STC

STC and its predecessors have been involved in the supply of telecommunications equipment since 1883, when telephone equipment based on the invention of Alexander Graham Bell was imported for resale in the United Kingdom from the Western Electric Company of the United States. In 1898 Western Electric acquired a factory at Woolwich, initially for the manufacture of telephone cable, but by 1908 complete telephone exchanges as well as cables were being produced. In 1910 STC was incorporated in England under the name "Western Electric Company, Limited" and acquired Western Electric's U.K. business. Its name was changed in 1925 to Standard Telephones and Cables, Limited following its acquisition by ITT.

Throughout its history STC has been able to attract people of high inventive quality and business expertise. This has enabled STC to play a significant role as an innovator of new systems and products in many aspects of telecommunications. STC's history reflects the evolution of telecommunications systems, the basic elements of which are:—

—subscriber network (equipment in the subscriber's premises and the connections to the local public exchange)

—switching systems (both local exchanges and exchanges for long distance and international traffic)

—transmission systems (the equipment for communicating between local exchanges—the junction network—and between exchanges separated by long distances—the national and international trunk networks).

Subscriber Network

In the subscriber network the main item of terminal equipment has been the telephone handset which has evolved relatively slowly since its early design. In recent years STC has concentrated on volume production of receiver and transmitter capsules and the manufacture of telephones with special facilities such as high speed, push-button dialling. Since its incorporation in 1912 ITT Creed Limited, an STC subsidiary, has been the leading U.K. supplier of teleprinter machines used in telex systems. In the last fifteen years, data transmission has become increasingly important and the range of STC's products for the subscriber has been augmented to include data terminals. Some subscribers, such as hotels, factories, offices and geographically dispersed companies, operate their own internal telephone systems. For such activities, private exchanges were developed which were initially manual but are now largely automatic. STC has been a supplier of such private switching systems from the early days of manual switchboards, through "Strowger" and "Crossbar" designs, to modern processor-controlled systems for both telephony and message switching.

Summary of Information

The information set out below should be read in conjunction with the full text of the Offer for Sale.

Offer for Sale price	**160p per share**
Market capitalisation at Offer for Sale price	**£160 million**
1979 forecast income before taxation	**£32 million**
1979 fully taxed earnings per share*	**15.4p**
1979 forecast net dividend	**8p per share**
Prospective price/earnings multiple at Offer for Sale price*	**10.4 times**
Prospective gross dividend yield at Offer for Sale price**	**7.1 per cent.**

*Based on STC's forecast of income before taxation for the year ending 31st December, 1979 of not less than £32 million (1978: £26.9 million) and a full charge for current and deferred corporation tax at the rate of 52 per cent. A significantly lower actual corporation tax charge is expected for 1979 (1978: 22 per cent.).

**Based on STC's forecast total dividend for the year ending 31st December, 1979 of 8p net per share (11.4p gross including an associated tax credit at the rate of 3/7ths as proposed in the Budget on 12th June, 1979).

This Offer for Sale is of 15 per cent. of the issued share capital of STC; the balance is owned by ITT.

STC, which employs 27,000 people, has two product groups:—

Telecommunications and Electronics
1978 sales £225 million.
1978 income before taxation £21.7 million.
Approximately 60 per cent. of sales consisted of telephone main exchange switching equipment and submarine telecommunications systems. STC is one of the three principal suppliers of main exchange equipment to the Post Office and is the world leader in submarine systems.

Components
1978 sales £155 million.
1978 income before taxation £5.2 million.
About 50 per cent. of sales consisted of STC manufactured electronic and other components. STC is also a major U.K. distributor of electronic components and wholesaler of electrical products.

STC's success in high technology businesses is built on a solid foundation of basic research and product development, expenditure on which is charged to income in the year in which it is incurred. In 1978 such expenditure amounted to £26.3 million, of which £10.5 million was funded by customers.

The past five years have seen major changes in STC's business, particularly the transition from electro-mechanical to electronic switching. STC's programmes of rationalisation, retraining and modernisation to adapt to these changes will have been largely completed by the end of 1979.

The STC Board believes that these programmes should give STC increased competitive strength and enable it to take advantage of the growth in telecommunications forecast for the 1980's.

The Procedure for Application and a Form of Application are set out at the end of this Offer for Sale.

Switching Systems

In the 1920's STC began to manufacture Strowger electro-mechanical switching equipment which it has continued to supply to the Post Office and, until the early 1970's, to export markets. In the mid-1960's, Crossbar, an improved electro-mechanical switching system, was introduced, but with the recent introduction of electronic switching systems Strowger and Crossbar are being phased out of production. During the early 1970's STC and the Post Office developed the TXE4 electronic switching system. The first TXE4 exchange for public service was installed in 1976. Currently STC is developing TXE4A, a more advanced and cost-reduced version of TXE4. STC is also involved in the collaborative development of the System X family of electronic digital exchanges, which is expected to be the generation of Post Office switching equipment to follow TXE4 and TXE4A.

Transmission Systems

Until 1920 the transmission of speech required one pair of copper wires between terminals for each conversation. Then the concept of multiplexing was developed, whereby many signals representing speech or data are assembled into a single complex signal which is transmitted over one bearer system and subsequently decoded to reconstitute all the original input signals. Wide bandwidth transmission bearer systems are required to realise the full economic potential of this development. In this connection STC played an important role in developing radio and coaxial cable transmission systems and has many technical and commercial achievements to its credit. These include the first public microwave link in 1934 (from England to France), the first microwave links in the United Kingdom for trunk television transmission (1952) and for trunk telephone circuits (1956), the first coaxial cable in the U.K. network (1936), and the first solid state 2,700 channel coaxial line system in the United Kingdom (1968). STC supplied the equipment for the first public shortwave ship-to-shore radio service in 1930 and, through International Marine Radio Company Limited, supplied marine radio systems for many shipping lines, notably the Cunard fleet, including the three "Queens".

In the early 1950's STC began to supply underwater transmission systems and since then has supplied the larger part of the world's submarine cable systems which vary from short, shallow water applications to transoceanic projects. STC currently supplies the widest bandwidth submarine cable systems in the world (5,520 channels).

STC's outstanding contributions to the evolution of telecommunications include the invention of pulse code modulation ("PCM") by A. H. Reeves in 1938 and the proposals for the use of optical fibre in transmission systems published by C. Kao and G. Hockham in 1966. Modern digital telephony is based on PCM and offers many technical advantages over earlier analogue systems but it was not until the invention of the transistor that such advantages could be achieved economically. PCM transmission systems were first used in junction networks in the early 1960's and are now being installed in trunk networks. Optical fibre systems transmit information on light waves through very thin glass or silica fibres. They offer potential technical and economic advantages over present transmission systems.

Components

The development of radio and transmission systems (both landline and submarine) required the parallel development of sophisticated electronic components to meet increasing performance specifications. For this requirement STC developed its own quartz crystals, electronic valves, capacitors and magnetic materials; in due course separate businesses were established which in 1959 were combined to form the Components group. Its product range has since been enlarged considerably by internal development and by acquisition.

Standard Telecommunication Laboratories Limited

In the mid-1940's it became clear to STC that to remain competitive a strong base in fundamental research on materials, processes, advanced components and telecommunications systems would be required. Standard Telecommunication Laboratories Limited ("STL") was established at Enfield and in 1959 moved to Harlow where it has become an industrial research organisation of international standing.

STC

Business

STC is mainly an operating company but it is also a holding company for a number of subsidiaries; where the context so admits, references to STC throughout this Offer for Sale include its subsidiaries. STC's business is now divided into two main product groups, (a) Telecommunications and Electronics and (b) Components, both supported by substantial research and development. A summary of these activities is set out below.

Telecommunications and Electronics

In 1978 sales of the Telecommunications and Electronics group amounted to £225 million and income before taxation to £21.7 million. Approximately 60 per cent. of 1978 sales in the Telecommunications and Electronics group related to switching and submarine systems.

This group is involved in the development and supply of telecommunications products for home and overseas markets. Its principal customers are the Post Office and foreign telecommunications authorities.

The number of employees in the group is approximately 17,500. Its principal manufacturing facilities are at Brighton, Foots Cray (Kent), Greenwich, Monkstown (Northern Ireland), Newport (Gwent), New Southgate (London) and Southampton.

The group is involved in the following activities:—

Switching

STC's most important activity is the design, manufacture and installation of switching equipment, principally for the Post Office. During the last ten years the change in switching technology, from electro-mechanical systems (Strowger and Crossbar) to electronic systems, has had a fundamental effect on the structure and size of the industry. The value of all main exchange equipment supplied to the Post Office represented by electronic equipment has increased from 10 per cent. in 1973 to over 50 per cent. in 1978 and is expected to exceed 85 per cent. by 1983. STC has led in the development and manufacture of the new electronic analogue TXE4 telephone exchange which, together with the more advanced and cost-reduced version, TXE4A, is expected to constitute the bulk of new Post Office orders for some years. As a result STC's sales of electronic equipment to the Post Office have significantly exceeded the industry average and STC's share of Post Office main exchange orders has grown from about one fifth in 1970 to more than one third at the present time.

The collaborative development of System X, a family of electronic digital telephone exchanges and associated equipment, is being carried out by the Post Office, STC and the two other major U.K. telecommunications manufacturers. System X is planned to become the Post Office's standard switching equipment in the United Kingdom. The Post Office has already placed orders for a number of System X exchanges, the first of which is expected to come into service by the end of 1982. The parties involved in the collaborative development of System X have formed a joint company, British Telecommunications Systems Limited ("BTS"), in which each of the four parties is to have an equal interest. BTS is intended to play a significant role in the promotion of System X in export markets.

In the case of TXE4 and TXE4A, STC has undertaken to share the knowledge gained from development work for the Post Office with the two other major U.K. telecommunications manufacturers. In the case of System X, contracts are placed by the Post Office with each of the manufacturers for the development of certain parts of the system; however, each manufacturer will either own or have a licence for all industrial property rights and knowhow necessary to enable it to manufacture all System X equipment in the United Kingdom. It is intended that, subject to the consent of the other manufacturers, each should be able, in appropriate circumstances, to obtain a licence for manufacture abroad.

The transition from electro-mechanical to electronic technology has reduced the labour, and changed the nature of the skills, required for the manufacture of switching equipment. By the end of 1979 STC will have largely completed the necessary rationalisation of its facilities, involving a reduction in the switching workforce by approximately one third in recent years, whilst at the same time recruiting people with critical new skills and undertaking a substantial retraining programme. Considerable investment has been and continues to be made in modern manufacturing equipment and techniques and in computer-aided design equipment for engineering and manufacturing.

STC is also developing a range of ancillary equipment based on microprocessor technology, for the modernisation of various aspects of network operation and maintenance.

The need for telecommunications companies to ensure a supply of complex printed circuit boards led STC to purchase Exacta Circuits Limited in 1974. Since its acquisition Exacta Circuits Limited has become one of Europe's leading manufacturers of such printed circuit boards.

Transmission

The Transmission division is a major supplier of sophisticated transmission systems to U.K. and overseas markets, the Post Office being the principal U.K. customer. The product range covers both established analogue and new digital technology for the simultaneous transmission of telephony, television and data. This includes PCM junction systems for the interconnection of local exchanges in large conurbations and terminal equipment and intermediate amplifying systems for the trunk network. As part of STC's rationalisation programme, the manufacture of transmission equipment and electronic switching equipment will be combined to take advantage of similarities of technology and of the substantial capital expenditure on new printed circuit board assembly facilities and test equipment.

In addition, the Electronics division supplies a range of ancillary telecommunications equipment for transmission, signalling, audio and test applications.

Optical Fibre

STC has played a leading part in the development and application of optical fibre systems and in 1976 established a production facility for both fibre and cables. Sales of optical fibres are small but widespread application is foreseen in telecommunications, military and industrial markets. In 1977 STC installed the world's first 1,920 channel repeatered optical fibre transmission system (between Hitchin and Stevenage) which was introduced to public service in 1978. STC has recently received Post Office orders for four 120 channel and two 1,920 channel systems and in addition has a Ministry of Defence contract for an optical fibre link.

Submarine Systems

This division is one of STC's more important activities, being the world leader in the international market for transoceanic submarine telecommunications systems. Despite strong international competition, STC has had on average about 50 per cent. of the market, principally as a result of its technical performance and an established reputation for meeting contract delivery dates.

Since the 1950's, when STC's activities in the design, manufacture and installation of undersea telegraph and telephone systems expanded considerably, the division has been responsible for providing a wide variety of systems to many major telecommunications authorities. These systems are available in channel capacities capable of handling from 480 to 5,520 simultaneous telephone conversations. The submerged equipment for these systems is designed and manufactured to achieve a long period of fault-free life. Facilities for carrying television and data are available on the higher bandwidth systems.

The division is involved in all aspects of supplying systems, including route surveys and selection, system design, manufacture, laying from cable ships, terminal installation and overall system commissioning.

Examples of systems commissioned in 1977 and 1978 are:—

Columbus—3,250 miles, 1,840 channels between the Canary Islands and Venezuela.

ASEAN P-S — 1,500 miles, 1,840 channels between Singapore and the Philippines.

Pencan III—740 miles, 5,520 channels between the Canary Islands and the Spanish mainland.

Rome/Palermo—250 miles, 5,520 channels.

Currently the division has contracts for two new systems in the Mediterranean and for three new 5,520 channel systems between the United Kingdom and the Continent (to Spain, Holland and Denmark). On average, four systems of different sizes are completed by the division each year.

A notable feature of the Submarine Systems business is the relatively small number of high value contracts at any given time. Forward planning in association with telecommunications authorities, together with careful scheduling of manufacture, has enabled peaks and troughs to be smoothed out to a reasonable degree. Nevertheless, the volume of business is controlled mainly by the rate of growth of international traffic, which is dependent upon world economic conditions. As a result the level of activity can vary depending upon the pattern and timing of orders received.

Despite the development of satellite communications systems, the particular properties of submarine systems, such as security and higher transmission quality, should ensure continuing demand for such systems for short and long routes.

Cable

STC has for many years supplied a wide variety of cables principally for the home and export telecommunications markets and also for signalling, defence and industrial applications.

Over the last five years STC has reorganised its production facilities in response to the volume decline in Post Office business, overcapacity worldwide in the manufacture of telecommunications cable and a change in technology from paper to plastic insulation. This reorganisation has resulted in a reduction in the workforce and the closure of a major factory.

To compensate for the continuing decline in telecommunications cable business, STC is applying its skills in cable manufacture to other areas where its technological experience and knowhow can be successfully exploited. By combining expertise in the design and manufacture of specialist cables with experience in submarine systems, STC has taken the opportunity to enter the developing hydrospace markets of underwater defence and oil wellhead control.

In addition, STC undertakes the supply and installation of telephone cable networks overseas, which involve civil works and cable installation and commissioning. It is currently engaged in such activities in Nigeria.

Audio Products

This division is a substantial U.K. supplier of transmitter and receiver capsules for telephones and also produces complete telephone handsets. STC introduced the first batteryless push-button telephone available to the U.K. market and now supplies to the Post Office a large proportion of Trimphone and push-button Quickstep telephones, as well as certain other special telephones.

Business Systems

The Business Systems division has three main activities.

The Private Communications subdivision is one of the United Kingdom's leading suppliers of private automatic branch exchanges with a market share of approximately 30 per cent. In 1977 a computerised telephone exchange, the Unimat 4080, was introduced and has been ordered by a number of large commercial organisations.

The Data Systems subdivision supplies visual display units, intelligent terminal systems, message switching systems, programmable communications controllers and other computer peripheral equipment.

The Record Communications subdivision is the main supplier of teleprinters to the Post Office through ITT Creed Limited. The established Model 444, although still in production, is being replaced by the new Model 2300 semi-electronic teleprinter.

Business Systems customers include commercial organisations, defence, police and telecommunications authorities in the United Kingdom and overseas. Leasing, either directly or through a financial institution, is a significant feature of this division's activities. Apart from its own manufacturing facilities for teleprinters and message switching systems in the United Kingdom, the division benefits from the opportunity to import products from other ITT companies in Germany and the United States. Some of these products may be manufactured in the United Kingdom if and when this can be commercially justified.

Although only modest growth is foreseen for Record Communications, the Data Systems and Private Communications subdivisions should have considerable growth potential resulting from the expansion of data transmission and the increasing market for peripheral terminal equipment.

Military Electronics

STC has a long history as a supplier of components and equipment for defence requirements and currently has contracts for defence communications equipment and for funded research and development.

Marine Radio

Through International Marine Radio Company Limited, an STC subsidiary, this division supplies shipborne radio communication and navigation equipment, including satellite communication terminals. It also provides radio officers to shipowners on a contract basis.

Components

In 1978 sales of the Components group amounted to £155 million and income before taxation to £5.2 million. About one half of the sales represents components and modules manufactured by the group, the balance being sales as distributors and wholesalers. Sales by this group to the Telecommunications and Electronics group in 1978 amounted to some £8 million.

The Components group has approximately 8,500 employees. The principal locations are at Harlow, Paignton, Taunton and Great Yarmouth.

The group has seven principal divisions, of which five are manufacturing divisions, one distributes components and instruments and the other is involved in the wholesaling of electrical products through ITT Distributors Limited, an STC subsidiary.

Electron Devices

This division manufactures a wide range of products including microwave devices and sub-systems for military applications. It manufactures electron tubes used in telecommunications with sales to microwave equipment manufacturers in Europe and the United States. Thermistors, which are used in temperature control devices, comprise the remainder of the division's sales.

Capacitors

This division is a large U.K. manufacturer of capacitors, offering a range of capacitors for use in such diverse products as space satellites, submarine repeaters, avionics and telecommunications equipment and medical, military and industrial electronics. The division is also an important supplier to the manufacturers of radio and television sets, washing machines and other white goods and domestic lighting.

Power Components

This division manufactures electro-mechanical products, reeds, relays, inductors, transformers, power supplies, fans and switches. It supplies the Post Office and the U.K. telecommunications industry.

Quartz Crystal and Opto-electronics

This division manufactures a range of quartz crystal devices for various uses including telecommunications, electronics and radio and is developing liquid crystal displays and fibre optic components. It supplies crystal filters for use in mobile radios and temperature controlled crystal oscillators.

Resistors and Film Circuits

This division's products range from carbon composition resistors, used in consumer electrical equipment, to high technology thin and thick film hybrid circuits, used in submarine repeaters and military equipment. Other products include film resistors and resistor networks which have applications in the telecommunications and data processing industries.

Distribution of Components and Instruments

This division distributes to industrial and commercial users throughout the United Kingdom the electronic components and instruments of more than one hundred manufacturers, as well as products manufactured by other divisions of the Components group and other ITT companies. It is amongst the largest such distributors in the United Kingdom.

ITT Distributors Limited

This subsidiary is one of the largest wholesalers and distributors of electrical products in the United Kingdom with a network or more than 60 branches. There is a small but growing export business. The goods supplied consist mainly of such items as lighting equipment, electrical cables, switches and accessories and domestic appliances. Principal customers are electrical contractors, industrial users and electrical retailers.

Research and Development

STC's success in the high technology businesses in which it is engaged is built upon a solid foundation of both basic research and product development, total expenditure on which in 1978 amounted to £26.3 million.

All research and development expenditure is charged to income as incurred. Part of the expenditure on research and development, £10.5 million in 1978, is funded by contracts placed directly by customers including the Post Office, the Ministry of Defence and ITT companies. Work undertaken in the general interests of ITT by STL and the product groups is funded by ITT out of the financial contributions paid under general relations agreements (see under "Relationship between STC and ITT" below). In 1978 ITT funded in this way £8.5 million of work by STC (including STL), compared with the contribution to research and development made by STC under its General Relations Agreement (see below) of £8.1 million.

STL

Basic research is undertaken by STL, a subsidiary of STC, in modern purpose built premises at Harlow. Over 900 people are employed, of whom some 500 are scientists and engineers. The laboratories are divided into two main units, the Telecommunications and Electronics Laboratory and the Materials and Components Laboratory. Total expenditure in 1978 amounted to £12.5 million.

STL has an international and a national role and is known for its pioneering work. Internationally, STL operates as an important part of ITT's worldwide fundamental research activities on materials, components and telecommunications technology, and has reciprocal access to complementary research and development work carried out by other ITT laboratories. STL's national role is to undertake basic research and advanced product development in specific support of STC.

Product Development

Product development is principally carried out within the laboratories of each product group as an integral part of its business. In general, development and design personnel are located with the associated manufacturing activities on the major sites. The number of scientists and engineers engaged in product development exceeds 1,000. Total expenditure incurred by the product groups on such development in 1978 was £17.6 million, of which £3.8 million was subcontracted to STL.

Relationship between STC and ITT

In common with other ITT telecommunications companies, STC has an agreement ("the General Relations Agreement") with International Standard Electric Corporation ("ISEC"), a wholly-owned U.S. subsidiary of ITT. General relations agreements provide a contractual basis for:—

(a) the worldwide funding of research and development;

(b) the dissemination of technical information and knowhow from, and provision of technical assistance by, ITT laboratories and technical centres to ITT companies;

(c) the exchange of technical information and knowhow developed by ITT group companies in the same business;

(d) the royalty-free right to exploit inventions, technical information and knowhow developed by ITT group companies in the same business; and

(e) the financing of specialised services provided by ITT to its group companies with respect to sales and business methods, manufacturing, insurance, property, legal, industrial relations and financial matters, export marketing assistance, training programmes and administration.

With regard to item (a) above, ITT operating companies making use of research and development make an annual financial contribution to the overall costs of such activities, which contribution is assessed in the form of a percentage of sales varying according to the type of business carried on by the company. STC's current contribution is 3 per cent. of its relevant sales, which is the percentage that has been payable for many years. Such contributions are used by ITT to fund general research and development at its laboratories, both in Europe (including STL) and the United States. In return, STC has access to ITT's relevant worldwide research and development expertise and patent rights insofar as they are required for the purpose of STC's business; an example is the access which STC has to ITT Semiconductors with its important European manufacturing facilities in England and Germany. ITT companies outside the United Kingdom have corresponding rights but these rights do not apply to customer funded research and development, such as work for the Post Office and the Ministry of Defence, in which STC plays and expects to continue to play an important role. Such work is kept totally secure, both technically and commercially, in accordance with the requirements of the contracting customers.

With regard to items (b) and (c) above, only the cost of dissemination and exchange of information and of providing technical assistance is reimbursed by the recipient.

With regard to item (e) above, STC, in common with all other principal ITT telecommunications companies, makes an annual payment (known as the "ITT contract service charge") amounting to 1 per cent. of its relevant sales.

The Board of STC considers that the General Relations Agreement between ISEC and STC is of considerable benefit to STC. Although this Agreement is expressed to be terminable at the end of any calendar year on six months' notice by either party, the parties have agreed that neither of them will exercise such right of termination while STC remains an ITT subsidiary.

In addition to having access to research and development carried on outside the United Kingdom and to ITT's general management expertise, STC has the right to benefit from technical expertise and knowhow accruing to ITT as a result of acquisitions made elsewhere. For example, ITT has recently acquired Courier Terminal Systems Inc. and Qume Corporation, which are manufacturers in the United States of visual display terminals and high-speed electronically-controlled impact printers respectively. The right to make use of Courier and Qume knowhow should be of considerable benefit to STC in the rapidly expanding computer terminal and peripheral market and in the teleprinter field.

As regards the purchase of other goods and services, each operating company within the ITT group trades on an arms-length basis with other members of the ITT group. No ITT group company is obliged to buy from other ITT group companies. Inter-company pricing is based on the price levels charged to comparable buyers who are not members of the ITT group.

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STC

As mentioned previously in the description of STC's switching activities, STC is playing a significant role in the development of System X. This development is being funded under contracts with the Post Office which provide that the proprietary technology of System X will be available to the Post Office. STC and the two other U.K. telecommunications companies working on this project. While STC is involved in the development of System X, STC will not pursue work specific to competitive systems being developed elsewhere within the ITT group. ITT fully supports STC's participation in the development and exploitation of System X at home and overseas.

In recognition of STC's involvement in System X and the associated Post Office funding, ISEC has waived a portion of the research and development contribution for 1979 which would otherwise have become payable on an increased basis under the General Relations Agreement. So long as STC is so involved in System X, ISEC will continue to waive a portion of the contribution otherwise payable by STC.

In 1978 proposals were put to ITT and STC that one of the other U.K. telecommunications companies be combined with STC as part of a Government programme to concentrate businesses in certain high technology fields. ITT and STC had no part in initiating and saw no advantage in these proposals, which were not pursued, and it is understood that there are no plans to renew them.

Management and Employees

Directors

The Directors of STC, of whom five are Executive Directors and six are Non-Executive Directors (two being executives of ITT), are as follows:—

Mr. K. G. Corfield (aged 55) is the Chairman and Chief Executive of STC and the Senior Officer of ITT in the United Kingdom. He joined ITT in 1967, became a Director of STC in 1969 and Chief Executive shortly afterwards.

Mr. R. L. Brittenham (aged 63) is a Director of ITT and Senior Vice President—Law and Counsel of ITT. He joined ITT in 1957 having previously practised international law in New York. He became a Non-Executive Director of STC in 1969.

Sir Kenneth Keith (aged 63) is Chairman and Group Chief Executive of the Hill Samuel Group Limited, Chairman of Rolls-Royce Limited and a director of a number of other companies. He joined the Board of STC as a Non-Executive Director in 1977.

Mr. J. V. Lester (aged 59) is a Director of ITT, an Executive Vice President of ITT and a member of the Office of the Chief Executive of ITT, with responsibilities, *inter alia*, for the telecommunications and electronic activities of ITT worldwide. He has been associated with ITT since 1964 and was President of ITT Europe Inc. from 1967 to 1971. Mr. Lester became a Non-Executive Director of STC in 1979.

Mr. S. B. Marsh (aged 57), Technical Director of STC, is the Executive Director with responsibility for research and development work. He joined STC in 1965 and was appointed to the Board in 1979.

The Hon. David Montagu (aged 50) is Chairman and Chief Executive of Orion Bank Limited and a director of a number of other companies. He joined the Board of STC as a Non-Executive Director in 1977.

Mr. E. S. Newman (aged 42) is the Executive Director representing STC's financial functions and is Senior Treasurer of ITT in the United Kingdom. He joined STC in 1973 and was appointed to the Board in 1979.

The Rt. Hon. The Lord Penney (aged 69) is a distinguished scientist and has been a member of the boards of a number of corporations in the private and public sectors. He joined the Board of STC as a Non-Executive Director in 1971.

The Rt. Hon. J. E. Ramsden (aged 55) is a Deputy Chairman of Prudential Corporation Limited. He joined the Board of STC as a Non-Executive Director in 1971.

Mr. J. E. Samson (aged 50) is the Executive Director representing the Telecommunications and Electronics group. He joined STC in 1974 and was appointed to the Board in 1979.

Mr. K. M. Walton (aged 49) is the Executive Director representing the Components group. He joined STC in 1962 and was appointed to the Board in 1979.

Organisation and Management

The Board supervises the operations of STC through a number of Management Boards. Most of STC's activities are controlled and managed in the United Kingdom and operate independently of similar businesses in ITT elsewhere. In certain cases, namely Components and Business Systems, the Board believes that the regional or worldwide co-ordination with other ITT businesses in the same product group enhances business performance. The Management Boards of such businesses are, however, responsible to the STC Board for their business performance, fulfilment of all statutory responsibilities and the implementation of STC corporate policies.

Each Management Board consists of executives responsible for the general management of operating divisions together with executives responsible for such matters as finance, general administration, law, manufacturing, marketing, public relations and technology. Below the Management Boards, STC is divisionally structured on a business basis, either by product or service function, although some divisions are wholly-owned subsidiaries of STC, such as Exacta Circuits Limited, ITT Creed Limited, International Marine Radio Company Limited and ITT Distributors Limited. A manager with an executive team is responsible for each division and operates with considerable autonomy within the policy and general guidelines established by the STC Board and the relevant Management Board.

The composition of the Board of STL reflects its national and international roles. The deployment of resources between national and international programmes recognises the overall research and development programmes approved by the Board. STL is responsible to the Board of STC through the Chairman of STL and the Executive Director of STC responsible for research and development.

Through its Executive Directors and other executives STC participates fully in ITT's management procedures. These involve the agreement of business strategy and detailed financial targets and the regular monitoring of results against such targets at meetings with senior ITT management which take place at ITT's worldwide headquarters in New York, ITT's European headquarters in Brussels and STC's headquarters in London.

Employees

STC employs approximately 27,000 people in the United Kingdom. Good employee relations are a principal objective of STC's management which has endeavoured for many years to use and develop modern personnel practices in order to enhance both the well-being of employees and profitability. The extent and quality of STC's training at all levels resulted in its being one of the first companies to be exempted from the Engineering Industry Training Board levy. Negotiations on wages and conditions are carried out locally and a number of trade unions are involved in line with the wishes of the employees concerned. STC's industrial relations record is excellent. During 1978 less than one hour per employee was lost through internal industrial relations problems. When it became necessary because of changes in technology and market conditions to reduce the Telecommunications and Electronics workforce by about a third over a four year period, this was accomplished with only negligible time lost through disputes.

Five-year Record

A five-year summary of sales and income for the Telecommunications and Electronics group and the Components group is set out below:—

	1978 £'000	*1977* £'000	*1976* £'000	*1975* £'000	*1974* £'000
Sales:—					
Telecommunications and Electronics	224,980	197,904	209,761	189,454	159,306
Components	155,028	138,626	110,788	86,841	85,327
Inter-group sales and other items	(6,392)	(5,370)	(5,278)	(3,174)	(2,870)
	373,616	331,160	315,271	273,121	241,763
Income before exceptional items and taxation:—					
Telecommunications and Electronics	22,369	22,661	21,374	21,626	23,080
Components	5,168	7,143	5,097	3,094	5,266
	27,537	29,804	26,471	24,720	28,346
Income before taxation:—					
Telecommunications and Electronics	21,738	18,159	19,088	19,676	23,080
Components	5,168	7,143	5,097	2,226	5,266
	26,906	25,302	24,185	21,902	28,346

Telecommunications and Electronics

The period from 1974 to 1978 saw major changes in STC's Telecommunications and Electronics activities, the most important being a sharp decline in the market for electro-mechanical switching equipment which was offset by growth in the sales of electronic switching equipment. In 1974 the ratio between the sales of the two types of equipment was 86 : 14 but by 1978 this had become 34 : 66. There was also a substantial decline in the market for telecommunications cable. In order to adapt to these significant changes, STC embarked on programmes of rationalisation and modernisation in respect of which more than £15 million has been charged to income as exceptional items over the last four years of the period. These costs include redundancy payments, non-capitalised costs of relocating plant and equipment and the estimated costs of closing down old plant and starting up new production. They do not however fully reflect the impact on profitability of the disruption inevitable in carrying out such programmes.

During the five years to 1978 the income of the group before exceptional items and taxation has not varied much, due partly to the restructuring carried out during the period and partly to a reduction in Post Office orders. Losses were incurred in Cables in 1975 and 1976 prior to the closure of one major plant. Switching income fell in 1976 and 1977 but these results were offset by higher income from Submarine Systems. In 1978 Switching income increased significantly with the volume of TXE4 sales while income from Submarine Systems fell due to lower activity.

A substantial part of the Telecommunications and Electronics business is carried out under long-term contracts. Some contracts with U.K. public sector customers provide that the price may be adjusted in the light of the actual costs incurred and that the customer has the right to investigate such costs. The final determination of prices under such contracts is often completed a considerable time after the sales are made.

STC has traditionally accounted for such long-term business on a conservative basis when making provisions against the outcome of possible contract adjustments on price and the risk of warranty claims. Provisions are released or additional provisions are made as discussions on contract adjustments progress to settlement. Warranty provisions are released, if not required, at the end of the warranty period. When material, adjustments to provisions are reported as exceptional items as in 1976 and 1978.

Components

In 1975 three divisions manufacturing relatively low technology products were closed down. In addition, there was general pressure on margins. Whilst income from manufacturing operations improved in 1976 and 1977, there was in 1978 a significant reduction in margins, an important factor being the problems of the European colour television manufacturing industry. Sales volume and income of the distribution and wholesaling activities have, however, increased during the period.

Income for 1979

The Board of STC forecasts that, in the absence of unforeseen circumstances, income before taxation for the year ending 31st December, 1979 will be not less than £32 million.

In 1979 income from the Telecommunications and Electronics group is expected to increase as the benefits of the programmes for rationalisation, retraining and modernisation begin to be seen. These programmes will have been largely completed by the end of this year. STC's practice has been to provide at the end of each year for the future costs of implementing decisions already taken. Accordingly in 1979 the amount to be charged to income for rationalisation expenditure will be very much less than in 1978. Against this there are at present expected to be exceptional credits of an approximately equivalent amount. Profitability in the Components group, both from manufacturing and from the distribution and wholesaling activities, is expected to increase significantly in 1979.

Arthur Andersen & Co. and S. G. Warburg & Co. Ltd. have reported on the forecast of income before taxation and their letters, together with the principal assumptions on which the forecast has been made, are set out under the heading "Principal Assumptions relating to and Letters on Forecast of Income" below.

If STC were to provide a full charge for current and deferred corporation tax at the rate of 52 per cent. on the forecast income before taxation, STC's net income for the year ending 31st December, 1979 would be £15.4 million, equivalent to fully taxed earnings per share of 15.4p. However, STC's current accounting policy, as set out in the Accountants' Report below, is to provide for deferred taxation in accordance with Statement of Standard Accounting Practice Number 15. Accordingly, the Board would expect a significantly lower actual corporation tax charge for 1979; in 1978 STC's actual corporation tax charge amounted to 22 per cent. of income before taxation.

At the Offer for Sale price of 160p and on the basis of the fully taxed earnings per share of 15.4p referred to above, the prospective price/earnings multiple is 10.4 times.

Dividends

On the assumption that income before taxation is not less than £32 million as forecast above, it would be the Board's intention to pay dividends in respect of the year ending 31st December, 1979 totalling £8 million, equivalent to 8p per share net (11.4p per share gross including an associated tax credit at the rate of 3/7ths as proposed in the Budget on 12th June, 1979). The Board would expect to pay 2p net as an interim dividend in or about October 1979 and to recommend 6p net as a final dividend in or about May 1980. **Such dividends would represent a gross yield of 7.1 per cent. on the Offer for Sale price of 160p.**

Prospects

The repercussions of the change from electro-mechanical to electronic switching have been met in recent years by programmes for rationalisation of facilities, extensive reduction and retraining of staff and investment in advanced manufacturing equipment. These programmes, which will have been largely completed by the end of 1979, should give STC increased competitive strength and enable it to take advantage of the growth in telecommunications forecast for the 1980's, particularly in the United Kingdom where the Post Office is planning extensive network modernisation.

The STC Board believes that the management of the Post Office is committed to the concept of a healthy U.K. telecommunications industry based on efficient performance in the home market and success in the export market. The Post Office is co-operating with the industry to ensure that future products are competitive in export markets and is devoting resources to the support of the U.K. telecommunications industry in world markets. Within the U.K. network modernisation programme, STC is well placed to maintain a significant share of Post Office business, as a result of its leading position as a supplier of TXE4 and TXE4A and digital transmission equipment and its role in the collaborative development of System X. While there have been some recent suggestions that changes may be made in the structure of the Post Office, the STC Board believes that, should any changes of this nature take place, they are unlikely to affect adversely the overall demand for STC's products.

In the case of Submarine Systems, the Board expects STC to maintain a leading position in the world market.

In the subscriber market, the 1980's should see growth in peripheral equipment, including a variety of new products. STC, through its Business Systems and Audio Products divisions, should benefit from such growth.

Other areas which should benefit from new product development include hydrospace, optical fibre transmission systems, ancillary equipment for network operations and maintenance, transmission and military electronics.

STC intends to maintain its strong base of advanced research and development both at STL and in the product groups which, together with its access to ITT's worldwide technology, is designed to result in a flow of new products and provide additional growth to that resulting from Post Office network modernisation.

While STC's business is vulnerable to a major economic downturn, the Board believes that the prospects for STC in the coming years are good.

Accountants' Report

The following is a copy of the report to the Directors of STC and S. G. Warburg & Co. Ltd. made by Arthur Andersen & Co., Chartered Accountants, the Auditors of STC and Reporting Accountants.

"The Directors,
Standard Telephones and Cables Limited,
S. G. Warburg & Co. Ltd. 13th June, 1979

Gentlemen,

We have examined the balance sheet of Standard Telephones and Cables Limited ("the Company") at 31st December, 1978, and the consolidated balance sheets of Standard Telephones and Cables Limited and its subsidiaries ("the Group") at 31st December, 1974, 1975, 1976, 1977 and 1978, and the related statements of consolidated income and retained earnings and consolidated source and application of funds for the years ended 31st December, 1974, 1975, 1976, 1977 and 1978, prepared on the bases described in the accounting policies section below.

For several years the Company has, in addition to its trading operations, acted as a holding company for certain United Kingdom subsidiaries of International Telephone and Telegraph Corporation ("ITT"), its ultimate parent. On 5th June, 1979 the Company became a subsidiary of ITT (United Kingdom) Limited ("ITT (UK)"), a wholly-owned subsidiary of ITT. Certain subsidiaries and other investments were transferred by the Company to ITT (UK) on 13th June, 1979. The effect of these transactions combined with the first dividend referred to in Note 18 was to reduce the assets and shareholders' equity of the Company and of the Group by the book value of those subsidiaries and other investments transferred to ITT (UK).

As explained in Note 1 the figures shown in the financial information below are those that would have been reported had the subsidiaries and other investments transferred to ITT (UK) on 13th June, 1979 not been in the Group during the five years ended 31st December, 1978, and had the subsidiaries donated by other ITT companies during that period been donated at the date of original acquisition by ITT, which in all cases was prior to 31st December, 1973.

The financial information presented below is based on the audited accounts, after making such adjustments as we consider necessary. Apart from the matters discussed above the principal adjustment is the change in the basis of accounting for deferred taxation, which is explained further in Note 4.

In our opinion, the financial information shown below for the Company and the Group (constituted as explained in Note 1) gives a true and fair view, on the historical cost basis, of the state of affairs of the Company at 31st December, 1978, and of the state of affairs of the Group at 31st December, 1974, 1975, 1976, 1977 and 1978 and of the income and source and application of funds of the Group for each of the years ended 31st December, 1974, 1975, 1976, 1977 and 1978.

We have also reviewed the entries giving effect to the transactions described in Note 19 and, in our opinion, those entries have been properly applied to the historical consolidated balance sheet of the Group at 31st December, 1978 to arrive at the pro-forma post-reorganisation consolidated balance sheet reflecting those transactions.

Accounting Policies

The significant accounting policies adopted in arriving at the financial information set out in this report are as follows:

(a) *Basis of preparation—*
The financial information has been prepared on the historical cost basis.

(b) *Consolidation principles and investments in associated and subsidiary companies—*
The consolidated financial information includes the accounts of the Company and its subsidiaries as described in Note 1. Intercompany transactions and balances are eliminated.

The Company and the Group account for their investments in associated companies by the equity method, whereby the original cost of the investments is adjusted for the movement in applicable underlying net assets since the date of acquisition.

The equity method is also applied to the investments in subsidiaries in the Company's balance sheet.

Certain investments in subsidiaries have been donated to the Company by other ITT companies. These investments have been recorded at an attributed value equivalent to the original cost to the ITT group with a corresponding credit to capital reserve. The equity interest added to this attributed value represents the movement in applicable underlying net assets since the subsidiaries came into the ITT group and is deemed distributable since the ultimate parent company remained unchanged.

(c) *Translation of foreign currencies—*
Items in foreign currencies are translated to pounds sterling at rates of exchange current at the end of each year. Foreign currency gains and losses are credited or charged to income as they arise.

(d) *Stocks and work-in-process—*
Stocks and work-in-process are stated at the lower of cost (first-in, first-out) and net realisable value. Cost represents all direct costs incurred in bringing stocks and work-in-process to their present state and location, including an appropriate proportion of manufacturing overheads.

(e) *Taxation—*
Taxation is based on income for the year.

Deferred taxation, representing the effect of income and expenses being attributed for tax purposes to periods different from those in which the credits or charges are recorded in the accounts, is not provided where, in the opinion of the Directors, there is a reasonable probability that such taxation will not arise for at least three years and there is no indication that the situation will change after that period. The deferred taxation included in the balance sheets represents the amount arising from timing differences expected to become payable or recoverable computed at the corporation tax rate current at the end of the year.

The effect of changes in the Directors' assessment of the likely reversal of timing differences or changes in the rate of corporation tax is recorded at the time such changes arise.

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Provision is made for United Kingdom taxation in excess of the underlying local taxation on earnings since acquisition of overseas associated companies.

(f) *Property, plant and equipment*—
Property, plant and equipment is stated at cost.
Depreciation is provided primarily by the straight-line method, based on the cost and estimated economic lives of the various classes of property, plant and equipment, over the following periods—

Freehold buildings	—	33 years
Leasehold buildings	—	the lesser of 33 years and the life of the lease
Plant and equipment	—	5 to 10 years
Rental assets	—	4 to 14 years

(g) *Goodwill*—
Goodwill at cost represents primarily the excess of the cost of or value attributed to investments in businesses and subsidiaries over the underlying book value of net assets at the date of their acquisition by the ITT group.
Goodwill arising on acquisitions since 31st December, 1970 is being amortised in equal annual amounts over periods not longer than 40 years. In circumstances of a proven diminution in value goodwill is written off irrespective of the year of acquisition.

(h) *Deferred credit arising on sale of rental assets*—
A subsidiary sells rental assets to a finance company but guarantees that the finance company will receive specified levels of rental income from those assets for periods in excess of the initial lease. Because of these commitments the profit on sale of the rental assets is deferred and taken to income over the full period of the guarantees.

(i) *Deferred government grants*—
Government grants arising in respect of qualifying capital expenditure are transferred to income over the estimated economic lives of the related assets. Revenue grants with repayment conditions are deferred until such time as there is no reasonable possibility of repayment having to be made.

(j) *Sales*—
Sales represent the invoiced value (net of value added tax) of goods shipped, services rendered and equipment rentals, adjusted so as to record income on a percentage of completion basis of accounting for long-term contracts and to take account of the estimated effect, if any, of price negotiations in progress or anticipated.

(k) *Warranties and contract losses*—
Provision is made on a current basis for any anticipated losses on incomplete contracts. Amounts provided for such anticipated losses, and for residual costs on completed contracts, warranties, etc., are included in creditors and accrued expenses.

(l) *Research and development*—
All research and development expense is charged to income as incurred.

Statements of Consolidated Income and Retained Earnings

	Note	Year ended 31st December, 1978 £'000	1977 £'000	1976 £'000	1975 £'000	1974 £'000
Sales	2	373,616	331,160	315,271	273,121	241,763
Cost of sales and expenses	3	(339,870)	(294,431)	(281,583)	(243,639)	(210,560)
		33,746	36,729	33,688	29,482	31,203
Exceptional items	10	(631)	(4,502)	(2,286)	(2,818)	—
Finance charges, net		(7,168)	(7,425)	(7,244)	(4,770)	(2,880)
		25,947	24,802	24,158	21,894	28,323
Equity interest in associated companies' income before taxation		959	500	27	8	23
Income before taxation		26,906	25,302	24,185	21,902	28,346
Taxation	4	(5,794)	(6,820)	(8,537)	(3,701)	(7,245)
Net income		21,112	18,482	15,648	18,201	21,101
Dividends paid, net of dividends received from subsidiaries and investments transferred to ITT (UK)	5	(5,502)	(3,234)	(6,724)	(7,536)	(7,600)
Transfer to capital reserve		—	—	—	(900)	—
Retained earnings at beginning of year		90,932	75,684	66,760	56,995	43,494
Retained earnings at end of year		106,542	90,932	75,684	66,760	56,995
Earnings per share	6	21.11p	18.48p	15.65p	18.20p	21.10p

Statements of Consolidated Source and Application of Funds

	1978 £'000	1977 £'000	1976 £'000	1975 £'000	1974 £'000
Source of Funds:					
Funds from operations—					
Net income	21,112	18,482	15,648	18,201	21,101
Items not involving the movement of funds—					
Depreciation	8,932	8,336	7,928	6,313	5,260
Other	(1,255)	(485)	(588)	(71)	(21)
Total funds generated from operations	28,789	26,333	22,988	24,443	26,340
Funds from other sources—					
Retirement of property, plant and equipment, at net book value	2,269	1,412	2,569	88	476
Other (principally deferred credits and decrease in advances to fellow-subsidiaries)	9,656	2,351	436	2,151	1,597
	40,714	30,096	25,993	26,682	28,413
Application of Funds:					
Capital expenditure	16,712	16,955	13,800	10,195	11,968
Dividends	5,502	3,234	6,724	7,536	7,600
Advance corporation tax recoverable	3,749	—	—	—	—
Other (principally advances to fellow-subsidiaries and acquisition of subsidiaries' net non-current assets)	—	5,324	3,046	—	144
	25,963	25,513	23,570	17,731	19,712
Net increase in working capital, other than liquid funds—					
Stocks and work-in-process	9,993	8,449	2,044	13,328	12,434
Debtors and prepaid expenses	(3,445)	3,815	33,714	7,076	10,305
Taxation	(4,163)	8,191	(8,328)	12,000	1,095
Intercompany accounts	16,601	73	4,681	(9,473)	548
Creditors and accrued expenses	(13,432)	(4,625)	(12,207)	(10,014)	(678)
	31,517	41,416	43,474	30,648	43,416
Funds released (required)	9,197	(11,320)	(17,481)	(3,966)	(15,003)
Represented by—					
Increase (decrease) in net liquid funds—					
Increase (decrease) in cash and short-term deposits	(222)	(4,362)	3,231	1,344	(9,469)
(Increase) in overdrafts and other short-term loans	(2,650)	(13,120)	(567)	(3,968)	(9,102)
	(2,872)	(17,482)	2,664	(2,624)	(18,571)
Decrease (increase) in long-term loans	12,069	6,162	(20,145)	(1,342)	3,568
	9,197	(11,320)	(17,481)	(3,966)	(15,003)

Balance Sheets

Company 31st December, 1978 £'000		Notes	Pro-forma Group Post-reorganisation (Note 19) 1978 £'000	Group 31st December, 1978 £'000	1977 £'000	1976 £'000	1975 £'000	1974 £'000
	Shareholders' equity							
20,000	Share capital	7	25,000	20,000	20,000	20,000	20,000	20,000
10,436	Capital reserve	7 and 8	5,436	10,436	10,436	10,436	10,436	9,036
106,542	Retained earnings		94,042	106,542	90,932	75,684	66,760	56,995
136,978			124,478	136,978	121,368	106,120	97,196	86,031
	Represented by—							
	Current assets							
60,884	Stocks and work-in-process	9	95,308	95,308	85,315	76,866	74,822	61,494
62,652	Debtors and prepaid expenses	4 and 10	101,902	101,902	105,347	101,532	67,818	60,742
23,767	Due from subsidiaries and fellow-subsidiaries		7,053	24,226	9,208	5,937	5,142	8,344
1,997	Cash and short-term deposits		2,259	2,259	2,481	6,843	3,612	2,268
149,300			206,522	223,695	202,351	191,178	151,394	132,848
	Current liabilities							
58,065	Creditors and accrued expenses	10	82,494	82,494	69,062	64,437	52,230	42,216
11,675	Due to subsidiaries, holding company and fellow-subsidiaries		7,748	8,248	9,831	6,633	10,519	4,248
3,971	Taxation		6,270	6,270	2,107	10,298	1,970	13,970
15,434	Overdrafts and other short-term loans		31,657	35,830	33,180	20,060	19,493	15,525
89,145			128,169	132,842	114,180	101,428	84,212	75,959
60,155	**Net current assets**		78,353	90,853	88,171	89,750	67,182	56,889
3,749	Advance corporation tax recoverable		3,749	3,749	—	—	—	—
2,415	Goodwill	11	5,286	5,286	5,486	5,492	5,373	5,381
43,212	Property, plant and equipment, net	12	61,630	61,630	56,119	48,886	43,431	39,636
43,294	Interest in subsidiaries and investments	13	1,402	1,402	1,379	560	510	508
—	Long-term advances to fellow-subsidiaries		—	—	6,724	1,890	1,168	2,394
(15,646)	Long-term loans	14	(21,383)	(21,383)	(33,452)	(39,614)	(19,469)	(18,127)
(201)	Other non-current liabilities and deferred credits		(4,559)	(4,559)	(3,059)	(844)	(999)	(650)
136,978			124,478	136,978	121,368	106,120	97,196	86,031

Notes

1. The Group:
At 31st December, 1978 the Company's immediate parent was International Standard Electric Corporation ("ISEC"). On 5th June, 1979 ISEC transferred its shareholding in the Company to ITT (UK), a wholly-owned subsidiary of ISEC. On 13th June, 1979, the Company transferred certain subsidiaries and other investments to ITT (UK). Since these transactions combined with the first dividend referred to in Note 18 reduced the assets employed by the Company and its remaining subsidiaries and the shareholders' equity, the financial information has been presented on the basis that the transfer effectively took place prior to 31st December, 1973.
Certain subsidiaries not included in the transfer referred to above were donated to the Company by other ITT companies. The financial information has been presented on the basis that these subsidiaries were donated at the date of original acquisition by the ITT group, which in all cases was prior to 31st December, 1973.
Subsidiaries acquired from third parties since 31st December, 1973 are included in the financial information from the dates of acquisition. The Company's subsidiaries following the transfer are set out in Note 13.

2. Sales:
Sales to the Post Office, other ITT companies and exports were—

	1978 £'000	1977 £'000	1976 £'000	1975 £'000	1974 £'000
Post Office	127,131	101,272	118,627	115,718	94,788
Other ITT companies	33,091	22,148	13,434	12,827	10,676
Exports	84,520	83,056	79,048	58,311	49,790

Note: Exports include sales to overseas ITT companies, some of whom act as distributors for the Group's products.
In 1978 the geographical distribution of exports, which may vary materially from year to year due particularly to the impact of submarine systems contracts, was—

	£'000
North, Central and South America	4,300
Asia and Australasia	19,700
Africa and Middle East	20,449
Europe	40,071
	84,520

3. Cost of Sales and Expenses:
Included in cost of sales and expenses are the following charges (credits)—

	1978 £'000	1977 £'000	1976 £'000	1975 £'000	1974 £'000
Depreciation	8,932	8,336	7,928	6,313	5,260
Hire of plant and equipment	4,439	2,995	2,605	1,769	1,447
Amortisation of government grants	(172)	(128)	(582)	(69)	(22)
Currency exchange losses (gains)	(195)	(421)	(43)	262	325
ITT contract service charge	2,987	2,732	2,554	2,236	1,913
Research and development—					
Group expenditure, excluding costs reimbursed by customers	15,751	13,540	11,817	9,971	9,418
STC contribution under General Relations Agreement	8,055	7,441	7,032	6,141	5,294
Funding by ITT under General Relations Agreement	(8,467)	(8,188)	(6,537)	(5,305)	(4,822)

4. Taxation:
The taxation charge comprises—

	1978 £'000	1977 £'000	1976 £'000	1975 £'000	1974 £'000
The Company and subsidiaries—					
Corporation tax at 52%	4,114	6,360	11,986	5,391	7,491
Deferred taxation	1,103	297	(3,463)	(1,694)	(258)
	5,217	6,657	8,523	3,697	7,233
Associated companies—					
Local taxation	427	19	14	4	12
United Kingdom taxation in excess of local taxation (deferred)	150	144	—	—	—
	5,794	6,820	8,537	3,701	7,245

Included in debtors and prepaid expenses is a deferred tax asset attributable to—

Company 1978 £'000		Group 1978 £'000	1977 £'000	1976 £'000	1975 £'000	1974 £'000
3,061	Product line rationalisation provision	3,061	3,108	2,748	884	—
974	Accrued pension expense	1,094	1,485	1,343	874	691
(64)	Other	(13)	802	1,545	387	(134)
3,971		4,142	5,395	5,636	2,145	557

The full amount of potential deferred taxation liabilities is attributable to—

Company 1978 £'000		Group 1978 £'000	1977 £'000	1976 £'000	1975 £'000	1974 £'000
19,278	Excess of tax depreciation over book depreciation of property, plant and equipment	26,637	21,867	18,374	15,125	12,070
9,685	Stock appreciation relief	18,003	14,042	10,804	10,011	5,265
(3,971)	Other	(5,497)	(5,266)	(5,516)	(2,145)	(557)
24,992		39,143	30,643	23,662	22,991	16,778

In the audited accounts prior to those for the year ended 31st December, 1978, the Group's policy was to make full provision for deferred taxation. During 1978 this policy was changed and, in accordance with Statement of Standard Accounting Practice Number 15 published in October, 1978, provision is no longer made for deferred taxation where, in the opinion of the Directors, there is reasonable evidence that such taxation will not arise for at least three years, and there is no indication that the situation will change after that period. The prior years' accounts have been restated accordingly.
Had the Group provided the full amount of potential deferred taxation throughout the five years the charge for taxation would have been greater by the following amounts—

1978 £'000	1977 £'000	1976 £'000	1975 £'000	1974 £'000
8,640	6,740	4,182	7,803	8,252

At 31st December, 1978 the Group had capital losses of approximately £400,000 available for carrying forward against future capital gains.

5. Dividends paid:
Dividends paid are shown in the Statements of Consolidated Income and Retained Earnings net of dividends received from subsidiaries and investments transferred to ITT (UK) on 13th June, 1979 as described in Note 1.

The dividends actually paid by the Company and the corresponding dividend rates were—

	1978 £'000	1977 £'000	1976 £'000	1975 £'000	1974 £'000
Dividends paid	8,000	9,000	9,300	8,500	8,000
Dividend rates	40.0%	45.0%	46.5%	42.5%	40.0%

6. Earnings per Share:
Earnings per share have been calculated by dividing the net income for each year by 100,000,000, the number of shares in issue at 13th June, 1979.

7. Share Capital:
At 31st December, 1978, the share capital of the Company was as follows—

Authorised 40,000,000 Ordinary Shares of £1 each	£40,000,000
Issued and fully paid 20,000,000 Ordinary Shares of £1 each	£20,000,000

On 13th June, 1979 the Company reduced its authorised share capital to £30,000,000 and subdivided each Ordinary Share of £1 into 4 Ordinary Shares of 25p each and 20,000,000 Ordinary Shares of 25p each were issued by way of capitalisation of £5,000,000 of the capital reserve.

8. Capital Reserve:
The capital reserve comprises—

Company 1978 £'000		Group 1978 £'000	1977 £'000	1976 £'000	1975 £'000	1974 £'000
9,536	Original cost to ITT group of donated subsidiaries	9,536	9,536	9,536	9,536	9,036
900	Bonus issue by way of capitalisation of post-acquisition earnings of a subsidiary	900	900	900	900	—
10,436		10,436	10,436	10,436	10,436	9,036

9. Stocks and Work-in-Process:
Stocks and work-in-process comprise—

Company 1978 £'000		Group 1978 £'000	1977 £'000	1976 £'000	1975 £'000	1974 £'000
14,240	Raw materials and piece parts	20,182	21,062	18,887	20,985	18,635
23,475	Work-in-process	35,295	30,774	30,302	28,802	22,478
23,169	Finished goods	39,831	33,479	27,677	25,035	20,381
60,884		95,308	85,315	76,866	74,822	61,494

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10. Provisions and Exceptional Items:

Included in creditors and accrued expenses or debtors and prepaid expenses, as appropriate, are provisions, the movements on which were—

Company 1978 £'000		Group 1978 £'000	1977 £'000	1976 £'000	1975 £'000	1974 £'000
9,217	At beginning of year	9,217	7,960	2,660	430	—
(6,074)	Expenditure during the year	(6,074)	(5,769)	(700)	—	—
10,161	Charged to income	10,161	7,026	6,000	2,230	430
13,304		13,304	9,217	7,960	2,660	430

The provisions are principally in respect of the product line rationalisation programme and price determination arising from the terms of certain contracts whereby major customers can investigate the actual costs incurred by the Company. The final determination of prices under such contracts is often completed a considerable time after the sales are made.

Included in the statements of consolidated income are the following exceptional items in respect of the above:

	1978 £'000	1977 £'000	1976 £'000	1975 £'000	1974 £'000
Rationalisation of certain product lines (net of associated grants in 1976, 1977 and 1978)	5,233	4,502	3,993	2,818	—
Out-of-period contract adjustments	(4,602)	—	(1,707)	—	—
	631	4,502	2,286	2,818	—

11. Goodwill:

Goodwill comprises—

Company 1978 £'000		Group 1978 £'000	1977 £'000	1976 £'000	1975 £'000	1974 £'000
164	Amortisable goodwill, at cost less accumulated amortisation	397	409	415	296	304
2,251	Goodwill not being amortised	4,889	5,077	5,077	5,077	5,077
2,415		5,286	5,486	5,492	5,373	5,381

12. Property, Plant and Equipment:

Property, plant and equipment comprise—

Company 1978 £'000		Group 1978 £'000	1977 £'000	1976 £'000	1975 £'000	1974 £'000
	Cost—					
11,927	Freehold land and buildings	14,063	14,915	12,966	11,008	7,791
	Leasehold property—					
5,178	Long lease	7,594	8,148	8,033	7,047	6,793
1,575	Short lease	3,055	2,373	1,891	1,940	1,583
67,990	Plant and equipment	89,193	79,159	71,703	62,062	59,396
—	Rental assets	7,844	8,774	7,416	7,322	6,640
86,668		121,749	113,369	102,009	89,379	82,263
(43,456)	Accumulated depreciation	(60,119)	(57,250)	(53,123)	(45,948)	(42,567)
43,212		61,630	56,119	48,886	43,431	39,636

Accumulated depreciation for the Group at 31st December, 1978 comprises—

	£'000
Freehold buildings	5,325
Leasehold buildings—	
Long lease	2,981
Short lease	1,120
Plant and equipment	47,067
Rental assets	3,626
	60,119

13. Interest in Subsidiaries and Investments:

(a) Interest in subsidiaries at 31st December, 1978 comprises—

	£'000
Shares, at cost or attributed value	13,908
Equity interest in increase in underlying assets since acquisition by ITT group	25,504
Long-term advances	2,420
	41,832

The following are the trading subsidiaries of the Company at 31st December, 1978, remaining within the Group after the transfer described in Note 1 and which are accordingly included in the financial information presented—

Commercial Cable Company (Marine) Limited
Exacta Circuits Limited (incorporated in Scotland)
Exacta Circuits (France) Limited
International Marine Radio Company Limited
ITT Components Limited
ITT Creed Limited
ITT Creed (Rentals) Limited
ITT Distributors Limited
Standard Telecommunication Laboratories Limited
Standard Telephones and Cables (Exports) Limited
Standard Telephones and Cables (Investments) Limited
Standard Telephones and Cables (Northern Ireland) Limited (incorporated in Northern Ireland)
Standard Telephones (Rentals) Limited

The Company also has the following non-trading subsidiaries—

E. C. Pension Trust Limited
Halsey's Electric Co. Limited
Standard Telecommunication Services Limited
Standard Telefones e Cabos do Brasil Limitada (incorporated in Brazil)
Submarine Cables (Sales) Limited
Telephone Switching International Limited

All the subsidiaries are wholly-owned either directly or indirectly and, except where otherwise stated, are incorporated in England. ITT Components Limited and ITT Distributors Limited are members of the Components group; the remaining trading companies, other than Standard Telecommunication Laboratories Limited, are all members of the Telecommunications and Electronics group.

(b) Investments comprise—

Company 1978 £'000		Group 1978 £'000	1977 £'000	1976 £'000	1975 £'000	1974 £'000
	Associated companies—					
478	Shares, at cost	478	478	2	2	2
866	Equity interest in increase in underlying assets since acquisition	866	350	21	18	16
1,344		1,344	828	23	20	18
	Unquoted investments—					
52	Shares, at cost	52	52	38	34	34
	Inactive companies—					
—	Shares, at cost	—	493	493	450	450
6	Quoted on overseas Stock Exchange, at cost	6	6	6	6	6
1,402		1,402	1,379	560	510	508

The cost of the unquoted investments approximates to the underlying net assets applicable to the investments, and in the opinion of the Directors reflected their value at each year end.

The market value of the quoted investment was £98,000 at 31st December, 1978.

The associated companies included in the financial information at 31st December, 1978 are—

Name of Company	Country of Incorporation	Class of share	Percentage held
African Telephone Cables (Pty) Limited	South Africa	Ordinary	30%
Wakefield Fortune (Aldwych) Limited	England	Ordinary	50%

14. Long-term Loans:

Company 1978 £'000		Final redemption date	Annual rates of interest	Group 1978 £'000	1977 £'000	1976 £'000	1975 £'000	1974 £'000
—	Unsecured loan	1978	6¼%	—	1,500	1,500	1,500	1,500
—	Unsecured loan	1978	6½%	—	1,500	1,500	1,500	1,500
4,167	Unsecured loan	1979	8%	4,167	4,167	4,167	4,167	4,167
—	Unsecured loan	1976-81	6½%	667	667	667	1,000	1,000
16,268	Bank loans (unsecured)	1975-86	8½%-11½%	26,268	29,405	33,243	16,699	12,671
200	Other loans (secured) including debenture stocks	1989-95	7%-8½%	1,301	1,369	1,380	1,467	1,320
20,635				32,403	38,608	42,457	26,333	22,158
(4,989)	Less portion payable within one year			(11,020)	(5,156)	(2,843)	(6,864)	(4,031)
15,646				21,383	33,452	39,614	19,469	18,127

15. Pension Arrangements:

The Group operates various contributory plans covering substantially all employees of the subsidiaries of ITT (UK) ("the participating companies").

Group policy is to fund the costs of pension plans in accordance with actuarial advice. An actuarial valuation of the plans as at 6th April, 1978, calculated the prior service liabilities which would require to be funded by the participating companies at approximately £1,159,000. These liabilities are being amortised over a period of 16-28 years from 6th April, 1978, with interest at the rate of 8½ per cent. per annum on the unamortised balance.

The total contribution by the participating companies to the above plans amounted to £10,011,000 in the year ended 31st December, 1978. The Group's share of this contribution was £7,701,000. In addition the Company has an unfunded plan in respect of which provisions are made to cover the accrued costs of certain benefits not provided by the funded plans. At 31st December, 1978 £2,133,000 was included in creditors and accrued expenses with respect to this plan.

ITT Creed Limited operate separate pension plans for substantially all its employees. The prior service liability of these plans was actuarially estimated to be approximately £447,000 as at 31st March, 1977. This liability is being amortised over a period of 27 years with interest at the rate of 8½ per cent. per annum on the unamortised balance. ITT Creed Limited's contribution to these plans was £573,000 in the year ended 31st December, 1978.

16. Contingent Liabilities:

Contingent liabilities of the Group in respect of guarantees and the residual credit risk on bank financing of bills under Export Credits Guarantee Department arrangements are estimated at £62,100,000 and £7,100,000 respectively at 31st December, 1978.

Contingent liabilities of the Company, including guarantees of borrowings of consolidated subsidiaries, are estimated at £89,400,000 at 31st December, 1978.

Included in the contingent liabilities of the Group and the Company are a U.S. dollar denominated guarantee of indebtedness in respect of an associated company of approximately £800,000 and U.S. dollar denominated guarantees of indebtedness of another subsidiary of ITT of approximately £49,000,000.

A claim for losses suffered as a result of alleged failure in certain goods supplied by the Company has been made by a customer. In the opinion of the Directors, this claim can be successfully defended and, accordingly, no provision has been made in the accounts.

The Group has contingent liabilities and assets under contract negotiations affecting 1978 and prior years, but, in the opinion of the Directors, adequate provision has been made, where appropriate, at 31st December, 1978.

17. Lease Obligations and Capital Commitments:

The Group leases a number of premises. Total annual rentals payable as at 31st December, 1978, amounted to approximately £1,800,000.

At 31st December, 1978 the Group had authorised capital commitments of £3,947,000 of which £3,167,000 had been contracted for. Subsequently the level of authorised capital commitments has increased by approximately £2 million.

18. Subsequent Dividends:

On 13th June, 1979 the Company declared a dividend of an amount equivalent to the proceeds of the transfer referred to in Note 1 and a further dividend of £12,500,000.

19. Pro-forma Group post-reorganisation Balance Sheet:

As part of the reorganisation described in Note 1, STC's share capital was increased to £25,000,000 by way of capitalisation of reserves and the responsibility for the financing of ITT subsidiaries no longer in the STC Group was taken over by ITT (UK), which assumed part of the short-term debt previously carried by STC. STC then paid the dividend of £12,500,000 referred to in Note 18. The entries giving effect to these transactions have been applied to the historical consolidated balance sheet of the Group at 31st December, 1978 to arrive at the pro-forma Group post-reorganisation balance sheet.

20. Audited Accounts:

No audited accounts have been prepared in respect of any period after 31st December, 1978.

Yours faithfully,
Arthur Andersen & Co.,
Chartered Accountants."

Principal Assumptions relating to and Letters on Forecast of Income

Principal Assumptions

The forecast income before taxation of STC and its subsidiaries for the year ending 31st December, 1979 of not less than £32 million, set out in this Offer for Sale, is based on results shown by unaudited management accounts for the period to 22nd April, 1979 and on the following principal assumptions:—

(i) that contracts in hand for Switching and Submarine Systems, which cover substantially the whole of the planned output of these divisions in the current year, will not be subject to cancellation or major change and sales by other activities taken as a whole will reflect trends shown to date;

(ii) that STC's businesses will not be materially affected by political events or by any changes in legislation;

(iii) that there will be no significant changes in STC's expectations and experience of price determination and of claims in respect of warranties and product performance;

(iv) that there will be no significant disruptions through failure to obtain supplies of raw materials (including oil), plant breakdowns or industrial disputes;

(v) that the rationalisation programmes will proceed according to plan;

(vi) that the annual rate of inflation for the rest of this year will be higher than in the first part of the year;

(vii) that Minimum Lending Rate will be reduced below 14 per cent. before the end of the year and short-term interest rates will also reduce;

(viii) that there will be no material changes in foreign exchange rates; and

(ix) that there will be no material changes in STC's accounting policies.

Letters

The following are copies of letters relating to the forecast of income before taxation for the year ending 31st December, 1979:—

Letter from the Auditors and Reporting Accountants:—

"The Directors,
Standard Telephones and Cables Limited,
190 Strand,
London WC2R 1DU.

13th June, 1979

Gentlemen,

We have reviewed the accounting policies applied and the calculations made in preparing the forecast of income before taxation of Standard Telephones and Cables Limited and its subsidiaries (for which you, as Directors, are solely responsible) for the year ending 31st December, 1979, set out in the Offer for Sale dated 13th June, 1979. The principal assumptions made by you upon which the forecast of income before taxation is based are set forth in the said Offer for Sale. The forecast of income before taxation includes results shown by unaudited management accounts for *the period ended 22nd April, 1979.*

Our review indicated that the forecast of income before taxation, so far as the accounting policies and calculations are concerned, has been compiled on the basis of the assumptions made by you referred to above and is presented on a basis consistent with the accounting policies normally adopted by Standard Telephones and Cables Limited and its subsidiaries.

Yours faithfully,
ARTHUR ANDERSEN & CO.,
Chartered Accountants."

Letter from S. G. Warburg & Co. Ltd.:—

"The Directors,
Standard Telephones and Cables Limited,
190 Strand,
London WC2R 1DU.

13th June, 1979

Gentlemen,

We have discussed with you and senior executives the forecast of income before taxation of Standard Telephones and Cables Limited and its subsidiaries for the year ending 31st December, 1979 and the principal assumptions on which it is based, set out in the Offer for Sale dated 13th June, 1979. We have also discussed with Arthur Andersen & Co. the work they have done in respect of the forecast as set out in their letter to you of 13th June, 1979. We consider that the forecast of income before taxation (for which you, as Directors, are solely responsible) has been made after due and careful inquiry.

Yours faithfully,
For S. G. WARBURG & CO. LTD.,
J. R. S. Boas,
Director."

Premises

The following table gives details of the ten largest factory locations occupied by STC, STL's laboratories and STC's head office:

Description	Tenure	Principal Use	Approximate Floor Area (square feet)
Oakleigh Road South, New Southgate, London N.11	Part freehold and part leasehold (67,000 square feet) for term expiring in 1986 at the yearly rent of £26,800 subject to revision in October 1979 with the right for the tenant to break in October 1979	Factory	936,000
Monkstown Trading Estate, Doagh Road, Monkstown and in Parish of Carnmoney, Co. Antrim, Northern Ireland	Leasehold as to part for term expiring in 1986 at the yearly rent of £10,979 without review, as to another part for term expiring in 1984 at the yearly rent of £41,384 without review and as to the remainder for term expiring in 1995 at the yearly rent of £18,416 subject to revision in 1982 and 1989 with the right for the tenant to break in 1985	Factories	568,000
Wednesbury Street, Newport, Gwent	Freehold	Factory	478,000
West Bay Road, Western Docks, Southampton	Leasehold for term expiring on 29th September 2053, at the yearly rents as to the greater part of £5,280 without review and as to the remainder of £5,800 subject to revision in 1982, 2003, 2024 and 2045	Factory	428,000
Greenwich, London S.E.10	Freehold	Factory	391,000
Brixton Road, Paignton, Devon	Freehold	Factory	384,000
Edinburgh Way, Harlow, Essex	Leasehold for terms expiring in 2053 and 2064 at the aggregate yearly rent of £160,110 subject to revision as to £5,769 (part thereof) in 1988, 2009, 2030 or 2051	Factory	366,000
Crowhurst Road, Hollingbury, Brighton, East Sussex	Leasehold for terms expiring in 2043 at yearly rents of £21,540 and £6,000 without review and £32,000 subject to revision in 1992, 2006, 2020 and 2034 and for term expiring in 2034 at the yearly rent of £9,822 without review	Factories	310,000
Millora Works, Monument Works, Main Cross Works, V.G. Site, Frederick Works, Fenner Works and Trafalgar Works, Great Yarmouth, Norfolk	Part freehold including Millora Works, Monument Works and Trafalgar Works and part leasehold for a term expiring in 2052 at the aggregate yearly rent of £3,130 without review	Factories	280,000
Maidstone Road, Foots Cray, Sidcup, Kent	Part freehold and part leasehold for term expiring in 1980 at the yearly rent of £3,250 without review	Factory	222,000
London Road, Harlow, Essex	Leasehold for term expiring in 2056 at the yearly rent of £3,650 without review	Laboratories	174,000
STC House, 190 Strand, London W.C.2	Leasehold for term expiring in 2007 at yearly rent of £187,050 subject to revision in 1986	Offices	88,000

STC

Statutory and General Information

1. STC was incorporated in England as a private company on 10th January, 1910 and was converted into a public company on 13th June, 1979. Immediately prior to 13th June, 1979 the authorised share capital of STC was £40,000,000 divided into 40,000,000 Ordinary Shares of £1 each of which 20,000,000 had been issued and were fully paid. On 13th June, 1979 the authorised share capital was reduced to £30,000,000, divided into 120,000,000 Ordinary Shares of 25p each, of which 80,000,000 had been issued and were fully paid, and 20,000,000 Ordinary Shares of 25p each were issued by way of capitalisation of reserves.
2. Save as disclosed herein, no share or loan capital of STC or of any of its present subsidiaries has since 13th June, 1977 been issued for cash or for a consideration other than cash (other than share or loan capital now held within the STC group) nor is any such capital proposed to be issued and since that date no commissions, discounts, brokerage or other special terms have been granted by STC or any of its subsidiaries in connection with the issue or sale of any such capital. No share or loan capital of STC or of any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option. No material issue of shares (other than to shareholders pro rata to existing holdings) will be made by STC within one year of the date of this Offer for Sale without the prior approval of STC in general meeting. No issue of any of the shares of STC at present unissued will be made which would effectively alter the control of STC or the nature of its business without the prior approval of STC in general meeting.
3. The Articles of Association of STC contain provisions to the following effect:
   (a) Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held, on a show of hands every member who is present in person at a general meeting of STC shall have one vote and, on a poll, every member who is present in person or by proxy shall have one vote for every 25p nominal amount of share capital of which he is the holder.
   (b) A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board of Directors in respect of any contract or arrangement in which he is, to his knowledge, materially interested (material interest being defined in the Articles of Association), but this prohibition shall not apply to certain contracts or arrangements in relation to obligations undertaken by Directors for the benefit of STC, or to contracts or arrangements to subscribe or underwrite shares, debentures or other securities of STC, or to any contract or arrangement in which the Director is interested by virtue of his interest in shares or debentures or other securities of STC or by reason of any other interest in or through STC, or to any contract or arrangement concerning any other company (not being a company in which the Director owns 1 per cent. or more) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise, or to any proposal concerning the adoption, modification or operation of superannuation, retirement, death or disability benefit schemes so long as they do not accord to any Director as such any special privilege or advantage, or to any other arrangement for the benefit of employees under which a Director benefits in a similar manner. Any of the foregoing provisions may be suspended or relaxed by an ordinary resolution of STC in general meeting.
   (c) Whenever arrangements are under consideration concerning the appointment (including the arrangement or variation of the terms thereof, or the termination thereof) of two or more Directors to offices or places of profit with STC or any other company in which STC is interested, a separate resolution may be put in relation to each Director and in such case each of the Directors concerned shall be entitled to vote (and be counted in the quorum) in respect of each resolution, except that concerning his own appointment (or the arrangement or variation of the terms thereof, or the termination thereof) and except (in the case of an office or place of profit with any other company where such company is a company in which the Director owns 1 per cent. or more.
   (d) The Board of Directors of STC shall restrict the borrowings (as defined in the Articles of Association) of STC and exercise all voting and other rights or powers of control exercisable by STC in relation to its subsidiaries (if any) so as to secure (but as regards subsidiaries only insofar as by the exercise of such rights or powers of control the Board of Directors can secure) that the aggregate amount from time to time outstanding of all borrowings by STC and its subsidiaries ("the Group") (exclusive of borrowings owing by one member of the Group to another member of the Group) shall not at any time, without the previous sanction of an ordinary resolution of STC, exceed an amount equal to twice the adjusted capital and reserves (as defined in the Articles of Association).

   Section 185 of the Companies Act 1948 relating to the election, retirement and re-election of Directors attaining the age of 70 years applies to STC.
4. On 12th June, 1979 ITT Industries Limited ("ITTI") (then a subsidiary of STC) sold the whole of the issued share capital of ITT Distributors Limited to STC and subsequently declared a dividend in favour of STC of the amount received or receivable by ITTI by way of consideration for such sale. On 13th June, 1979 STC sold to ITT (UK) the whole of the issued share capital of STC's subsidiaries (including ITTI) and its investments (including its investment in Allied Technologies Limited) other than the subsidiaries and investments referred to in Note 13 to the Accountants' Report above. Thereafter STC declared a dividend in favour of ITT (UK) of the amount received or receivable by STC pursuant to such sale and declared and paid to ITT (UK) a further dividend of £12,500,000.
5. The Directors of STC are satisfied that, having regard to bank and other facilities available, STC and its subsidiaries have sufficient working capital for their present requirements.
6. By a contract dated 13th June, 1979 and made between ITT (UK) (1), STC (2), S. G. Warburg & Co. Ltd. (3) and ISEC (4), S. G. Warburg & Co. Ltd. has agreed, subject to the issued Ordinary Share capital of STC being admitted to the Official List by the Council of The Stock Exchange not later than 22nd June, 1979, to purchase from ITT (UK) at the Offer for Sale price 15,000,000 Ordinary Shares of 25p each of STC, being the Ordinary Shares comprised in this Offer for Sale. Under the contract ITT (UK) has agreed to pay the expenses of advertising this Offer for Sale, the Receiving Bankers' charges, underwriting commission of 1½ per cent. of the sale price of the Ordinary Shares comprised in this Offer for Sale, a fee to S. G. Warburg & Co. Ltd. and fees to Cazenove & Co. and L. Messel & Co. as brokers to the Offer for Sale and the legal expenses of S. G. Warburg & Co. Ltd. and STC has agreed to pay all printing costs, The Stock Exchange listing fee; the fees and expenses of the Auditors and Reporting Accountants and its own legal expenses. The expenses payable by ITT (UK) and STC are estimated to amount to £930,000 and £400,000 respectively exclusive of V.A.T.
7. The Directors have no interests in any share capital of STC or any of its subsidiaries. The interests of the Directors in the share capital of ITT are Mr. R. L. Brittenham, 12,500 shares of Common Stock; Mr. J. V. Lester, 18,700 shares of Common Stock. Mr. Brittenham, Mr. Lester, Mr. K. G. Corfield, Mr. S. B. Marsh, Mr. J. E. Samson and Mr. K. M. Walton have interests in certain stock option or other plans of ITT.
8. Following this Offer for Sale ITT (UK) will remain the beneficial owner of 85,000,000 Ordinary Shares of 25p each of STC.
9. There are no existing or proposed service contracts between any of the Directors of STC and STC or any of its subsidiaries, other than service contracts expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one year. The aggregate emoluments of the Directors of STC who served as such during the year ended 31st December, 1978 amounted to £128,000. The Board of Directors was changed prior to this Offer for Sale; the emoluments of the present Directors of STC are currently at the aggregate rate of £290,000 per annum.
10. No Director has or had any interest, direct or indirect, in any assets which have been, within the two years preceding the date of this Offer for Sale, acquired or disposed of by or leased to STC or any of its subsidiaries or are proposed to be acquired, disposed of by or leased to STC or any of its subsidiaries.
11. There is no contract or arrangement subsisting at the date hereof in which a Director of STC is materially interested and which is significant in relation to the business of STC and its subsidiaries taken as a whole.
12. Neither STC nor any of its subsidiaries has any litigation or claims of material importance pending or threatened against it. As stated in Note 16 to the Accountants' Report above, the claim therein referred to can, in the opinion of the Directors, be successfully defended.
13. Consent of H.M. Treasury under Section 482 and clearances from the Inland Revenue under Section 464 of the Income and Corporation Taxes Act 1970, so far as applicable, have been obtained in relation to the transactions described in paragraph 4 above. ITT has agreed to indemnify STC and its subsidiaries in respect of any taxation arising directly or indirectly as a result of those transactions and, if at any time in the future STC ceases to be a member of the ITT (UK) Group for taxation purposes, any taxation arising directly or indirectly as a result of those or any earlier transactions and as a result of such cessation.
14. Arthur Andersen & Co. have given and have not withdrawn their written consent to the issue of this Offer for Sale with their report and letter and other references to them included herein in the form and context in which they are included.
15. The following contracts entered into within the two years immediately preceding the date of this Offer for Sale (other than in the ordinary course of business) are or may be material:
   (a) Dated 18th June, 1977, between STC (1) and Allied Technologies Limited (2), whereby STC agreed to sell to Allied Technologies Limited the whole of the issued share capital of Standard Telephones and Cables (South Africa) Limited for a consideration consisting of 3,050,354 fully paid Ordinary Shares of R1 each and 3,400,000 fully paid Redeemable Preference Shares of R1 each of Allied Technologies Limited and R250,000 in cash.
   (b) Dated 21st December, 1978, being three guarantees by STC in favour of Barclays Bank International Limited, International Westminster Bank Limited and/or National Westminster Bank Limited, and Manufacturers Hanover Trust Company respectively in respect of indebtedness to them of Abbey International Corporation, a subsidiary of ITT, up to maximum amounts of U.S.$42,500,000, U.S.$42,500,000 and U.S.$15,000,000 respectively, together with interest, costs and expenses.
   (c) Dated as of 1st January, 1979, between ISEC (1) and STC (2), being a Memorandum of Agreement amending the General Relations Agreement between the parties dated 31st March, 1926. The General Relations Agreement (as amended) applies to all the activities of STC and its subsidiaries, other than those in respect of which other general relations, service or comparable agreements have been or are entered into with ISEC or another subsidiary of ITT; some of the activities of STC and its subsidiaries covered by the General Relations Agreement are either exempted from or involve lower payments in respect of either the contribution for research and development or the contract service charge or both.
   (d) Dated as of 1st January, 1979, between ITT Industries Inc. (1) and ITT Distributors Limited (2), being a Memorandum of Agreement relating to services provided to ITT Distributors Limited and its subsidiaries for which a contract service charge of ½ of 1 per cent. on sales is payable to ITT Industries Inc. ITT Distributors Limited and its subsidiaries are not covered by the General Relations Agreement referred to in (c) above.
   (e) Dated 12th June, 1979, between ITT Industries Limited (1) and STC (2), being an Agreement under which ITT Industries Limited sold to STC the whole of the issued share capital of ITT Distributors Limited as mentioned in paragraph 4 above.
   (f) Dated 13th June, 1979, between ITT (1) and STC (2), being an indemnity from ITT to STC against any loss which STC may incur as a result of having entered into the guarantees referred to in (b) above.
   (g) Dated 13th June, 1979, between STC (1) and ITT (UK) (2), being an Agreement under which STC has sold to ITT (UK) the whole of the issued share capital of STC's subsidiaries and its investments, other than the subsidiaries and investments referred to in Note 13 to the Accountants' Report above, (as referred to in paragraph 4 above) and ITT (UK) has agreed to indemnify STC in respect of all outstanding liabilities of STC under the contract referred to in (a) above and certain other liabilities.
   (h) Dated 13th June, 1979, between ITT (1) and STC (2), being the tax indemnity from ITT to STC referred to in paragraph 13 above.
   (i) Dated 13th June, 1979, between ITT (UK) (1), STC (2), S. G. Warburg & Co. Ltd. (3) and ISEC (4), being the contract referred to in paragraph 6 above.
16. The documents attached to the copy of this Offer for Sale delivered to the Registrar of Companies for registration were copies of the contracts listed in paragraph 15 above, a statement of the adjustments made by Arthur Andersen & Co. for the purposes of their report and giving the reasons therefor and their written consent referred to in paragraph 14 above.
17. Copies of the following documents may be inspected at the offices of Slaughter and May, 35 Basinghall Street, London EC2V 5DB during usual business hours on weekdays (except Saturdays) until 2nd July, 1979:
   (a) the Memorandum and Articles of Association of STC;
   (b) the Report and Accounts of STC for the years ended 31st December, 1977 and 1978;
   (c) the contracts listed in paragraph 15 above;
   (d) the report of Arthur Andersen & Co., their statement of adjustments and their written consent; and
   (e) the letters of Arthur Andersen & Co. and S. G. Warburg & Co. Ltd. relating to the forecast of income before taxation.

13th June, 1979.

Copies of this Offer for Sale with Forms of Application may be obtained from:—

S. G. Warburg & Co. Ltd., 30 Gresham Street, London EC2.
Cazenove & Co., 12 Tokenhouse Yard, London EC2.
L. Messel & Co., 100 Old Broad Street, London EC2.
Standard Telephones and Cables Limited, 190 Strand, London WC2.
Midland Bank Limited, New Issue and Securities Department, Mariner House, Pepys Street, London EC3.

and from the following branches of Midland Bank Limited, Clydesdale Bank Limited and Northern Bank Limited:—

London: Poultry and Princes Street, EC2
133 Regent Street, W1
5 Threadneedle Street, EC2
Aberdeen: 5 Castle Street
Basildon: 16 Southernhay
Belfast: 183 Donegal Square West
Birmingham: 130 New Street
Bournemouth: 59 Old Christchurch Road
Brighton: 153 North Street
Bristol: 49 Corn Street
Cardiff: 56 Queen Street
Carlisle: 29 English Street
Coventry: 18 High Street
Derby: 1 St. Peter's Street
Edinburgh: 29 George Street
Exeter: 38 High Street
Glasgow: 30 St. Vincent Place
Great Yarmouth: 14 Hall Quay
Harlow: Gate House, The High
Hull: King William House, Market Place
Ipswich: 12 Tavern Street
Jersey: 8 Library Place, St. Helier
Leeds: 33 Park Row
Leicester: 31 Granby Street
Liverpool: 62 Castle Street
Maidstone: 16 High Street
Manchester: 100 King Street
Middlesbrough: Exchange Place
Newcastle: 42 Grey Street
Newport (Gwent): 1 Bridge Street
Norwich: 18 London Street
Nottingham: 6 Victoria Street
Oxford: 65 Cornmarket
Paignton: 7 Palace Avenue
Plymouth: 4 Old Town Street
Sheffield: 17 Church Street
Southampton: 165 High Street
Southgate: 17 The Broadway
York: 13 Parliament Street

STC

Standard Telephones and Cables Limited

OFFER FOR SALE BY S. G. WARBURG & CO. LTD.
OF 15,000,000 ORDINARY SHARES OF 25p EACH AT 160p PER SHARE, PAYABLE IN FULL ON APPLICATION.
THE APPLICATION LIST WILL OPEN AT 10 a.m. ON THURSDAY, 21st JUNE, 1979 AND MAY BE *CLOSED AT ANY TIME THEREAFTER.*

Applicants are strongly advised to use first class letter post and to allow 2 days for delivery.

FORM OF APPLICATION

To: S. G. WARBURG & CO. LTD.

Gentlemen,

§Applications must be for a minimum of 200 shares; applications for up to 2,000 shares must be in multiples of 200 shares, between 2,000 and 5,000 shares in multiples of 500 shares, between 5,000 and 25,000 shares in multiples of 1,000 shares and above 25,000 shares in multiples of 5,000 shares

§Number of shares for which application is made	Amount of cheque enclosed
	£

Amounts payable on application

Number of shares applied for	Amount payable on application	Number of shares applied for	Amount payable on application
200	£320	5,000	£8,000
1,000	£1,600	10,000	£16,000
2,000	£3,200	50,000	£80,000
2,500	£4,000	100,000	£160,000

I/We enclose a cheque payable to **Midland Bank Limited** for the above-mentioned sum, being the amount payable in full on application for the stated number of the above Ordinary Shares of 25p each of the above-named Company at 160p per share, and I/we offer to purchase that number of shares and I/we agree to accept the same or any smaller number in respect of which this application may be accepted upon the terms of your Offer for Sale dated 13th June, 1979 and subject to the Memorandum and Articles of Association of the Company.

I/We hereby authorise you to send a renounceable Letter of Acceptance in respect of the said shares, and/or a cheque for any monies returnable, by post at my/our risk to the address given in the box below and to procure my/our name(s) to be placed on the Register of Members of the Company as holder(s) of the said shares, or of those of them which are not effectively renounced.

An applicant who is unable to make the following declaration should delete it and consult an Authorised Depositary* (or an Approved Agent in the Republic of Ireland†) through whom lodgement should be effected.

I/We declare that I am/we are not resident outside the Scheduled Territories‡ and am/are not acquiring the shares as the nominee(s) of any person(s) resident outside those Territories.

I/We understand that due completion and delivery of this Form of Application accompanied by a cheque will constitute a warranty that the cheque will be honoured on first presentation.

I/We acknowledge that Letters of Acceptance and cheques for excess application monies are liable to be held pending clearance of applicants' cheques.

1. .... *Signature* Dated June, 1979.

PLEASE USE BLOCK CAPITALS

◄ First Name(s) (in full)

◄ Surname and designation (Mr., Mrs., Miss or Title)

◄ Address (in full)

2. *Signature* .... 3. ....
First Name(s) (in full) ....
Surname and designation (Mr., Mrs., Miss or Title) ....
Address (in full) ....

Please pin cheque here

ALL JOINT APPLICANTS MUST SIGN

A corporation should complete this Form of Application under hand by a duly authorised officer who should state his representative capacity.
This Form of Application, when completed, together with a cheque for the full amount payable on application, must be forwarded to *Midland Bank Limited, New Issue and Securities Department,* Mariner House, Pepys Street, London EC3N 4DA and should arrive not later than 10 a.m. on Thursday, 21st June, 1979.
A separate cheque must accompany each Form of Application.
Cheques must be drawn in sterling on a bank or branch thereof, and be payable, in England, Scotland or Wales. Cheques must be made payable to Midland Bank Limited and crossed "Not Negotiable". The right is reserved to present all cheques for payment on receipt and to reject any application, in particular multiple or suspected multiple applications. No receipt will be issued for the payment on application but an acknowledgement will be forwarded in due course through the post by a fully paid renounceable Letter of Acceptance and/or the return of the application monies or any surplus thereof.

FOR OFFICE USE ONLY
1. Acceptance No.
2. Number of shares accepted
3. Amount received on application £
4. Amount payable on shares accepted £
5. Amount returned £
6. Cheque number
7. Split/Registration
8. Certificate number

EXCHANGE CONTROL ACT 1947

* Authorised Depositaries are listed in the current issue of the Bank of England's Notice EC1 as amended and include banks and stockbrokers in, and solicitors practising in, the United Kingdom, the Channel Islands and the Isle of Man.
† An Approved Agent in the Republic of Ireland is defined in the current issue of the Bank of England's Notice EC10 as amended.
‡ The Scheduled Territories at present comprise:— the United Kingdom, the Channel Islands, the Isle of Man, the Republic of Ireland and Gibraltar.

Procedure for Application

Midland Bank Limited, New Issue and Securities Department, Mariner House, Pepys Street, London EC3N 4DA will receive applications which must be for a minimum of 200 shares or for the following multiples of shares:—

Applications for not more than 2,000 shares: in multiples of 200 shares.

Applications for over 2,000 shares and not more than 5,000 shares: in multiples of 500 shares.

Applications for over 5,000 shares and not more than 25,000 shares: in multiples of 1,000 shares.

Applications for over 25,000 shares: in multiples of 5,000 shares.

Applications must be made on the accompanying Form of Application and forwarded to Midland Bank Limited, New Issue and Securities Department, Mariner House, Pepys Street, London EC3N 4DA together with a cheque for the full amount payable on application and should arrive not later than 10 a.m. on Thursday, 21st June, 1979. Each application must be accompanied by a separate cheque (drawn in sterling on a bank or branch thereof, and payable, in England, Scotland or Wales).

Cheques must be made payable to "Midland Bank Limited" and crossed "Not Negotiable". The right is reserved to present all cheques for payment on receipt and to reject any application, in particular multiple or suspected multiple applications. It is intended to clear the cheques of successful applicants and to retain Letters of Acceptance and surplus application monies pending such clearance. Due completion and delivery of a Form of Application accompanied by a cheque will constitute a warranty that the cheque will be honoured on first presentation; attention is drawn to the declaration in the Form of Application to that effect.

Preferential consideration will be given to applications received from employees of STC and its subsidiaries and other subsidiaries of ITT (United Kingdom) Limited (including Executive Directors) up to a total of 1,500,000 shares if made on the special pink Forms of Application made available to them. Such applications must be for a minimum of 50 shares and a maximum of 10,000 shares; applications for up to 500 shares must be in multiples of 50 shares, between 500 and 2,000 shares in multiples of 100 shares, between 2,000 and 5,000 shares in multiples of 500 shares, and between 5,000 and 10,000 shares in multiples of 1,000 shares.

If applications made on the special pink Forms of Application exceed 1,500,000 shares, such excess applications will be aggregated with other applications. If the total of such excess applications and other applications exceeds the balance of 13,500,000 shares available, this balance of 13,500,000 shares will be divided proportionately between such excess applications and the other applications, although the right is reserved to apply different bases of allocation to each group.

Acceptance of applications will be conditional on the Council of The Stock Exchange admitting the Ordinary Shares of STC to the Official List not later than 22nd June, 1979. Monies paid in respect of applications will be returned if such condition is not fulfilled by that date and in the meantime will be retained by Midland Bank Limited in a separate account. If any application is not accepted or is accepted for fewer shares than the number applied for, the application monies (or the applicant's cheque) or the balance of such monies, as the case may be, will be returned through the post at the applicant's risk.

Arrangements have been made for the registration by STC of the shares now offered for sale free of stamp duty in the names of applicants or persons in whose favour Letters of Acceptance have been renounced, provided that, in cases of renunciation, Letters of Acceptance (duly completed in accordance with the instructions contained therein) are lodged for registration not later than Wednesday, 8th August, 1979. Share certificates will be posted on 5th September, 1979.

AUTHORISED UNIT TRUSTS

Minster Fund Managers Ltd.
Minster Hse., Arthur St., EC4. 01-623 1050

Minster May 21	42.2	44.2	----	5.71
Exempt May 31	108.7	112.7	----	5.95

MLA Unit Trust Mngmnt. Ltd.
Old Queen Street, SW1A 9JG. 01-222-8177

MLA Units	55.9	58.8	----	3.61

Murray Johnstone U.T. Mgmt.♥ (a)
163, Hope Street, Glasgow, G2 2UH. 041-221 5521

MJ European	69.7	73.2	----	4.64

Dealing Day Friday.

Mutual Unit Trust Managers♥ (a)(g)
15 Copthall Ave., EC2R 7BU. 01-606 4803

Mutual Sec. Plus	53.6	57.1xd	----	6.44
Mutual Inc. Tst.	74.3	79.2	-0.9	7.32
Mutual Blue Chip	46.9	50.7	-0.3	6.40
Mutual High Yld.	58.1	63.0	-0.6	8.57

National and Commercial
31, St. Andrew Square, Edinburgh. 031-556 8555.

Income June 6	171.4	177.8	----	5.62
(Accum. Units)	238.8	247.6	----	5.62
Capt. May June 6	143.0	148.2	----	3.18
(Accum. Units)	176.0	182.6	----	3.18

National Provident Inv. Mngrs. Ltd.♥
48, Gracechurch St., EC3P 3HH. 01-623 4200

N.P.I. Gth.Un.Tst.	55.1	58.7xd	----	4.75
(Accum. Units)*	69.8	74.3	----	4.75
NPI O'seas. Trust	128.4	135.9	----	2.40
(Accum. Units)**	139.1	147.2	----	2.40

*Prices on June 6. Next dealing June 20.

National Westminster♥ (a)
161, Cheapside, EC2V 6EU. 01-606 6060

Capital (Accum.)	70.2	75.4xd	+0.6	3.95
Extra Inc.	66.5	71.4	+0.1	9.40
Financial	35.5	38.1	+0.2	5.33
Growth Inv.	89.0	95.6	+0.5	4.87
Income	36.5	39.2	+0.2	7.43
Portfolio Inv. Fd.	73.5	76.9xd	+0.4	5.88
Universal Fd.	44.9	48.2	----	2.95

NEL Trust Managers Ltd.♥ (a)(g)
Milton Court, Dorking, Surrey. 5911

Nelstar	63.7	67.0	-0.5	5.05
Nelstar High Inc.	49.6	52.2	----	8.27

Norwich Union Insurance Group (b)
P.O. Box 4, Norwich, NR1 3NG. 0603 22200

Group Tst. Fd.	390.7	411.3	+1.2	5.00

Pearl Trust Managers Ltd. (a)(g)(z)
252, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd.	25.6	27.6	-0.1	5.00
Accum Units	31.4	33.9	-0.2	5.00
Pearl Inc.	34.8	37.5	-0.1	7.00
Pearl Unit Tst.	37.8	40.7xd	+0.1	5.64
(Accum. Units)	50.6	54.5	+0.2	5.64

Pelican Units Admin. Ltd. (g)(x)
57-63, Princes St., Manchester. 061-236 5685

Pelican Units	99.3	106.7	-0.6	4.62

Perpetual Unit Trust Mngmt.♥ (a)
48, Hart St., Henley on Thames 04912 6868

P'petualGp.Gth.	58.0	62.3	----	3.60
P'petual Gp.Inc.	—	—	----	—

Practical Invest Co. Ltd.♥ (y)(c)
44, Bloomsbury Sq., WC1A 2RA 01-623 8893

Practical June 13	162.4	172.1	----	4.17
Accum. Units	236.7	250.9	----	4.17

Provincial Life Inv. Co. Ltd.♥
222, Bishopsgate, EC2. 01-247 6533

Prolific Units	86.4	92.6	-1.9	3.57
High Income	135.6	145.3	----	7.41

Prudl. Portfolio Mngrs. Ltd.♥ (a)(b)(c)
Holborn Bars, EC1N 2NH. 01-405 9222

Prudential	140.5	149.0	+0.5	4.73

Quilter Management Co. Ltd.♥
The Stock Exchange, EC2N 1HP. 01-600 4177

Quadrant Gen. Fd.	126.0	131.3	----	3.42
Quadrant Income	146.8	151.4	----	7.56

Reliance Unit Mgrs. Ltd.♥
Reliance Hse., Tunbridge Wells, Kt. 0892 22271

Opportunity Fd.	74.0	79.1	----	5.53
Sekforde T. (Acc.)	44.8	47.9	-0.1	5.17
Sekforde T. Inc.	42.1	45.0	-0.1	5.17

Ridgefield Management Ltd.
38-40, Kennedy St., Manchester 061-236 8521

Ridgefield Int. UT	82.0	87.0xd	----	2.73
Ridgefield Income	94.0	101.0xd	----	9.03

Rothschild Asset Management (g)
72-80, Gatehouse Rd., Aylesbury. 0296 5941

N.C. Equity Fund	174.6	185.7	+1.0	3.7
N.C. Engy. Res. Tst.	118.4	125.9	-0.4	2.56
N.C. Income Fund	155.1	165.0xd	+0.5	7.64
N.C. Intl. Fd. (Inc.)	78.5	83.5	-0.1	1.67
N.C. Intl. Fd. (Acc.)	79.5	84.5	-0.1	1.67
N.C. Smllr Co's Fd.	188.0	200.1	-1.5	3.93

Rowan Unit Trust Mngt. Ltd.♥ (a)
City Gate Hse., Finsbury Sq., EC2. 01-606 1066

American June 14	64.0	67.0	----	1.44
Securities June 12	204.5	215.5	----	4.03
High Yield June 15	54.8	57.6	-5.3	9.22
(Accum. Units)	82.5	86.5	-5.5	9.22
Merlin June 13	89.0	93.5	----	3.84
(Accum. Units)	112.0	117.6	----	3.64

Royal Tst. Can. Fd. Mgrs. Ltd.
48-50, Cannon St., London EC4N 6LD 01-236 6044

Capital Fd.	70.8	74.7	-3.8	3.48
Income Fd.	71.3	75.2	-3.6	7.48

Prices at June 15. Next dealing June 29.

Save & Prosper Group♥
4, Great St. Helens, London EC3P 3EP
68-73 Queen St., Edinburgh EH2 4NX
Dealings to: 01-554 8899 or 031-226 7351

International Funds				
Capital	34.7	37.3xd	-0.4	3.00
I.T.U.	26.0	27.9	-0.1	4.41
Univ. Growth	65.3	70.2	----	2.94
Increasing Income Fund				
High-Yield	54.3	58.3	+0.1	7.41
High Income Funds				
High Return	71.0	76.3	-0.1	8.25
Income	43.8	47.2	----	9.47
U.K. Funds				
UK Equity	48.3	51.9	-0.2	4.63
Overseas Funds (z)				
Europe	75.3	80.9	-0.7	3.66
Japan	74.7	80.3	-0.6	3.46
S.E. Asia	37.7	40.5xd	-0.4	3.74
U.S.	67.4	72.4	-1.1	2.40
Sector Funds				
Commodity	89.3	96.0	-0.7	3.81
Energy	82.8	89.0	+0.3	2.45
Financial Secs.	71.6	76.9xd	-0.2	5.96
High-Minimum Funds				
Select Internat.	253.8	267.8	+1.3	3.15
Select Income	58.4	61.6	----	7.51
Exempt Funds◊				
Exempt Income*	176.7	156.5xd	----	7.06
Exempt Intl.*	259.4	274.4xd	----	2.87

*Prices at June 13. Next sub. day June 27.

Scotbits Securities Ltd.

Scotbits	38.9	41.8	+0.2	4.54
Scotyield	51.5	55.1	----	7.64
Scotshares	69.2	73.3	-0.2	4.26

Schlesinger Trust Mngrs. Ltd. (a) (c) (g)
140, South Street, Dorking (0306) 86441

Am. Exempt	21.6	22.9	-0.1	4.45
Am. Growth	26.9	29.1	-0.1	3.15
Am. Smaller Cos.	29.5	31.7xd	-0.2	—
Exempt High Yld.	28.8	30.3	-0.3	8.24
Exempt Mkt. Ldrs.	29.2	30.7xd	-0.3	4.12
Extra Inc. Tst.	30.1	32.9	-0.2	9.24
Income Dist.	42.4	46.4xd	-0.2	9.49
Inc. 10% Wdrwl.	31.1	34.0xw	-0.2	—
Inv. Tst. Units	28.3	30.4xd	-0.3	5.24
Intl. Growth	46.1	49.6	+0.1	3.50
Market Leaders	32.8	35.7xd	-0.2	4.70
'Nil Yield'	29.0	31.4	----	—
Pref. & Gilt Trust	22.3	24.6	-0.1	12.54
Property Shares	36.1	39.2	-0.5	1.93
Special Sit. Tst.	38.2	41.1	-0.2	1.60
U.K. Grth. Accum.	26.0	26.0xd	-0.2	4.80
U.K. Grth. Dist.	22.1	23.8xd	-0.2	4.80

J. Henry Schroder Wagg & Co. Ltd.♥
120, Cheapside, E.C.2. 01-240 3434

Capital June 12	117.0	121.2xd	----	2.68
(Accum. Units)	143.9	149.1	----	2.68
Income June 12	213.0	220.7xd	----	7.50
(Accum. Units)	332.8	344.8	----	7.50
General June 13	99.0	103.1	----	3.74
(Accum. Units)	125.1	130.3	----	3.74
Europe June 14	28.2	30.0xd	----	4.20
(Accum. Units)	31.8	33.8	----	4.20
*Pn&ChaFd May 30	203.5	209.7	----	4.03
*Recovery June 12	240.4	247.8	----	4.66
*Spec. Ex. June 12	320.3	330.2	----	3.39

*For tax exempt funds only

Scottish Equitable Fnd. Mgrs. Ltd.♥
28 St. Andrews Sq. Edinburgh 031-556 9101

Income Units	56.1	59.7	----	5.12
Accum. Units	66.5	70.7	----	5.12

Dealing day Wednesday.

Sebag Unit Tst. Managers Ltd.♥ (a)
PO Box 511, Bcklbry. Hse., E.C.4. 01-236 5000

Sebag Capital Fd.	37.8	39.7	+0.1	3.92
Sebag Income Fd.	31.9	33.5	-0.3	8.34

Security Selection Ltd.
15-19 Lincoln's Inn Fields, WC2. 01-831 6936/9

Unvl Gth Tst Acc.	25.5	27.6	----	4.52
Unvl Gth Tst Inc.	21.4	22.8	----	4.52

Stewart Unit Tst. Managers Ltd. (a)
45, Charlotte Sq., Edinburgh. 031-226 3271

†Stewart American Fund				
Standard Units	57.3	60.8	----	1.52
Accum. Units	62.3	66.2	----	—
Withdrawal Units	44.5	47.5	----	—
*Stewart British Capital Fund				
Standard	154.0	172.5	----	3.95
Accum. Units	176.8	194.1	----	3.95

Dealing †Tues. & Fri. *Wed.

Sun Alliance Fund Mngt. Ltd.
Sun Alliance Hse., Horsham 0403 64141

Exp. Eq. Tst. June 13	266.6	280.7	----	4.13
♥The Family Fd.	107.9	114.7	----	3.66

Target Tst. Mngrs. Ltd.♥ (a) (g)
31, Gresham St., EC2. Dealings: 0296 5941

Commodity	47.8	51.4	-0.5	3.72
Financial	68.7	74.6	-0.2	4.06
Equity	39.1	42.0xd	----	6.53
Exempt Inc. June 13	237.6	250.1xd	----	6.63
Exempt Accum.	358.5	376.3	----	6.63
Gilt Accum.	125.6	131.8	-0.2	3.00
Growth	31.5	33.7	----	3.87
Pacific Income	21.8	23.4	----	2.43
Pacific Accum.	24.2	26.0	----	2.43
Investment Trust	32.2	34.6	-0.3	4.22
Professional June 13	169.7	178.6	----	5.57
Income	28.2	30.3	-0.2	9.61
Preference Share	13.1	14.3	----	12.01
Special Situations	21.8	23.4	-0.1	5.15

Target Tst. Mgrs. (Scotland) (a) (b)
19, Athol Crescent, Edin. 3. 031-229 8621/2

American Eagle	26.7	28.7xd	+0.2	2.41
Thistle	43.0	46.2	+0.2	6.08
Extra Income	60.6	65.4	+0.3	10.54

Tower Unit Trust Mngt. Ltd.
39-45 Finsbury Square, EC2A 1PX 01-628 2294

Income & Growth	23.0	24.6	----	8.13

Trades Union Unit Tst. Managers♥
100, Wood Street, E.C.2. 01-628 8011

TUUT June 1	57.0	60.7	----	4.88

Transatlantic and Gen. Secs.♥ (C) (Y)
91-99, New London Rd., Chelmsford 0245-51651

Barbican June 14	85.6	91.1	----	5.59
(Accum. Units)	134.7	143.2	----	5.59
◊Barb. Expt. May 30	77.2	79.3xd	----	5.41
Buckhm. June 14	84.6	89.8	----	4.72
(Accum. Units)	108.2	114.8	----	4.72
Colemco June 15	139.1	146.5	-9.6	5.76
(Accum. Units)	174.6	193.8	-10.9	5.76
Cumbld. June 13	58.2	62.3xd	----	6.57
(Accum. Units)	66.8	71.6	----	6.57
Glen June 12	58.3	62.0	----	4.32
(Accum. Units)	77.2	82.0	----	4.32
Marlboro June 12	54.2	56.8	----	2.90
(Accum. Units)	63.2	66.2	----	2.90
Van.Grwt. June 12	53.7	56.7	----	3.49
(Accum. Units)	67.5	71.2	----	3.49
Vang. Hy June 12	76.7	82.9	----	8.01
Vang. Tec June 13	48.4	51.0	----	5.52
(Accum. Units)	51.5	54.4	----	5.52
Wickmr. June 14	68.2	72.3	----	4.41
(Accum. Units)	83.1	88.6	----	4.41
Wick-Div. June 15	69.1	73.9	-4.1	8.23
Do. Accum.	84.0	89.8	-4.3	8.23

Tyndall Managers Ltd.♥
18, Canynge Road, Bristol. 0272 32241

Income June 13	103.0	108.2	----	8.89
(Accum. Units)	200.4	210.6	----	8.89
Capital June 13	144.4	151.8	----	4.17
(Accum. Units)	207.2	217.6	----	4.17
Exempt June 13	122.2	128.4	----	6.05
(Accum. Units)	190.0	199.0	----	6.05
Int. Earn. June 13	270.2	283.8	----	5.33
(Accum. Units)	310.8	329.6	----	5.33
Pref. June 13	108.4	115.0	----	13.17
(Accum. Units)	142.8	151.4	----	13.17

24, Castle St., Edinburgh. 031 225 1168

Scot. Inc. June 13	179.4	190.2	----	8.65
Scot. Cap. June 13	150.4	159.6	----	4.37
(Accum. Units)	185.6	196.8	----	4.37

London Wall Group 0272 32241

Capital Growth	85.5	91.4	-1.3	6.67
Do. Accum.	91.7	98.1	-1.1	6.67
Extra Inc. Growth	37.3	40.0	-0.2	10.68
Do. Accum.	46.6	50.0	-0.2	10.68
Financial Pr'rty	19.3	20.7	-0.2	4.05
Do. Accum.	24.3	26.1	-0.3	4.05
High Inc. Priority	57.6	61.6xd	-2.9	10.61
International	24.7	26.4	-0.1	3.05
Special Sits.	38.3	41.1	-1.0	5.01

TSB Unit Trusts (y)
21, Chantry Way, Andover, Hants. 0264 62188
Dealings to 0264 63432-3

(b)TSB General	50.3	53.8	-0.1	4.00
(b) Do. Accum.	65.6	70.2	-0.1	4.00
(b) TSB Income	60.9	64.8xd	-0.5	7.66
(b) Do. Accum.	67.0	71.3	-0.5	7.66
TSB Scottish	84.2	89.6xd	-0.4	2.79
(b) Do. Accum.	91.8	97.7	-0.5	2.79

Ulster Bank♥ (a)
Waring Street, Belfast. 0232 35231

(b)Ulster Growth	38.6	41.5	-0.1	5.62

Unit Trust Account & Mgmt. Ltd.
King William St. EC4R 9AR 01-623 4951

Friars Hse. Fund	47.0	50.0	----	4.09
Wieler Grth. Fnd.	33.3	35.1	----	4.33
Do. Accum.	39.9	42.0	----	4.33

Wieler Growth Fund
King William St. EC4R 9AR 01-623 4951

Income Units	33.3	35.1	----	4.33
Accum. Units	39.9	42.0	----	4.33

INSURANCE AND PROPERTY BONDS

Abbey Life Assurance Co. Ltd.
1-3 St. Paul's Churchyard, EC4. 01-248 9111

Equity Fund	38.8	40.9	-1.6	—
Equity Acc.	33.4	35.2	-2.4	—
Property Fd.	171.9	181.0	----	—
Property Acc.	183.5	193.2	----	—
Selective Fund	100.7	106.0	-2.4	—
Convertible Fund	139.2	146.6	----	—
♥Money Fund	129.3	136.2	----	—
♥Prop. Fd. Ser. 4	148.8	156.7	----	—

Crown Life Assurance—contd.

Fixed Int. Fd. Acc.	111.5	117.3	-0.6	—
Fxd. Int. Fd. Incm.	105.9	111.4	-0.7	12.25
Inter'l. Fd. Acc.	108.1	113.7	+0.2	—
Inter'l. Fd. Incm.	106.4	112.0	+0.2	6.29
Money Fd. Acc.	101.3	106.6	----	—
Money Fd. Incm.	95.7	100.7	+0.1	11.25
Dist. Fd. Incm.	107.5	113.1	-0.7	9.56
Crown Brt. Inv.'A'	195.0	—	----	—

Crusader Insurance Co. Ltd.

Lloyds Life Assurance—contd.

Op. 5 Man June 14	167.7	176.6	----	—
Op. 5 A Dep. June 14	128.2	135.0	----	—
Pens.Fr.Ac. June 1	150.0	157.9	----	—
Pens.Pro.Cap. June 1	137.4	144.7	----	—
Pns.Eq.Ac. June 1	372.5	392.2	----	—
Pns.Eq.Cap. June 1	341.2	359.2	----	—
Pns.Fxd.Ac. June 1	205.2	216.0	----	—
Pns.Fxd.Cap. June 1	188.0	197.9	----	—
Pns. Mng. Ac. May 15	255.0	268.5	----	—

Prudential Pensions Limited◊
Holborn Bars, EC1N 2NH. 01-405 9222

Equity Fd. May 16	£30.61	31.56	----	—
Fixed Int. May 16	£21.84	22.13	----	—
Prop. Fd. May 16	£30.99	31.95	----	—

Reliance Mutual
Tunbridge Wells, Kent. 0892 22271

Rel. Prop. Bds.		247.9	----	—

OFFSHORE AND OVERSEAS FUNDS

Alexander Fund
37, rue Notre-Dame, Luxembourg.

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

30J	30J	FFI 13pc 1981	99	21	13.13	13.64
15M	15N	Do. 14pc '79	101	9.4	14.24	—
20J	20D	Do. 14pc '83	101½	20.11	13.78	13.52
31 Mr	30 S	ICFC 5½pc Deb. '80-82	82½	12.2	6.70	12.60
31My	30N	Do. 6¼pcDb. '81-84	75½	23.4	8.27	12.60
11J	11J	Do. 10½pc Uns. Ln. '86	89xd	4.6	11.79	13.08
11J	11J	Do. 11pc Uns. Ln. '88	89½xd	4.6	12.29	12.88
11J	11J	Do. 11¾pc Uns. Ln. '90	92xd	4.5	12.77	13.20
30 Je	31 D	Do. 7¼pcADeb. '89-92	64xd	4.6	11.32	13.00
31Mr	30S	Do. 7¼pcA Db. '91-94	64	12.3	11.63	13.08
31Mr30S		Do. 9pc 'A' '91-94	75½	12.2	13.30	13.10
28F	31A	Do. 6¾pc Ln. '92-97	73	29.1	12.75	13.39
—		Do. 12¼pc Uns. Ln. 1992	96½	—	—	13.22

FOREIGN BONDS & RAILS

AMERICANS

S.E. List Premium 12¼% (based on US$2.1026 per £)
Conversion factor 0.8912 (0.8922)

CANADIANS

S.E. List Premium 12¼% (based on $2.4621 per £)

BANKS AND HIRE PURCHASE

Jan.	Apr.	Dawes (G. R.)	13	18.10	—	—	—	—
—		Deutsche Bank DM50	£75½	21.5	Q18%	—	3.1	—
—		F. C. Finance	68	23.4	2.2	4.9	4.8	6.3
—		First Nat. 10p	6¾	974	—	—	—	0.5
—		Do. Wrrts. 75-83	3	—	—	—	—	—
—		Fraser Ans. 10p	14	678	—	—	—	—
June	Dec.	Gerrard Natnl.	232	8.5	9.12	—	5.9	—
May	Nov.	Gibbs (A.)	46	8.5	2.2	—	7.1	—
Mar.	Aug.	Gillett Bros. £1	258	26.2	16.95	—	9.8	—
	June	Goode D't Mry.5p	24	12.3	0.25	—	1.6	—
Nov.	April	Grindlays	131	12.3	3.07	7.5	3.5	4.1
April	Oct.	Guinness Peat	98	12.2	H5.67	—	8.6	—
Dec.	July	Hambros	200	27.11	†9.76	—	5.2	—

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TINS

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MISCELLANEOUS

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

Feb.	Aug.	Buffels R1	\$16	2.1	Q200c	ϕ	12.6
Aug.	Feb.	East Drie R1	\$14¾	2.1	Q115c	1.6	9.2
Aug.	Feb.	East Rand Prp. R1	862c	2.1	Q10c	—	1.4
June	Dec.	F.S. Geduld 50c	\$24¼	30.10	†Q315c	2.4	14.7
June	Dec.	Pres. Brand 50c	\$18	30.10	†Q150c	3.2	9.6
May	Nov.	St. Helena R1	\$26¼	26.3	Q190c	1.4	13.4
Aug.	Feb.	Stilfontein 50c	680c	2.1	†Q66c	ϕ	11.8
Aug.	Feb.	Vaal Reefs 50c	\$32	29.1	Q230c	2.7	10.0
Feb.	Aug.	West Drie R1	\$45½	2.1	†Q365c	1.7	9.2
June	Dec.	West Hldgs. 50c	\$34½	2.5	†Q415c	1.4	13.8
Feb.	Aug.	Western Deep R2	\$16	29.1	Q147½c	2.1	10.6

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- £ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¤ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ✣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ψ Excluding a final dividend declaration.
- ♣ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend, cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend; cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ϕϕ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 19

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	26	......	Sheff. Refrshmt	87	......
Bertam	29	......	Sindall (Wm.)	140	......
Bdg'wtr. Est. 50p	410	......	IRISH		
Clover Croft	28	......	Conv. 9% '80/82	£88⅛	−⅛
Craig & Rose £1	£111½	......	Alliance Gas	65	......
Dyson (R. A.) A	40	......	Arnott	400	......
Ellis & McHdy	68	......	Carroll (P.J.)	115	−5
Fife Forge	54	......	Clondalkin	85	......
Finlay Pkg. 5p	19	......	Concrete Prods.	101	......
Graig Ship. £1	265	−5	Heiton (Hldgs.)	61	+1
Higsons Brew	76	−2	I.C. Corp.	217	......
Holt (Jos) 25p	260	......	Irish Ropes	90	......
I.O.M. Stm. £1	164	......	Jacob	44	−1
Pearce (C. H.)	235	......	T.M.G.	202	......
Peel Mills	30	......	Unidare	65	......

OPTIONS

3-month Call Rates

Industrials

A. Brew	8	I.C.I.	24	Unilever	35
BOC Intl.	6	"Imps"	8	U.D.T.	5
B.S.R.	7	I.C.L.	55	Utd. Drapery	10
Babcock	18	Inveresk	7	Vickers	18
Barclays Bank	32	KCA	5	Woolworths	7½
Beecham	52	Ladbroke	22		
		Legal & Gen.	14		

FINANCIAL TIMES

Monday June 18 1979

Britain heads for farm price clash with EEC

BY MARGARET VAN HATTEM IN BRUSSELS

A CLASH between Britain and its eight European Community partners i expected in Luxembourg today when Mr. Peter Walker, Minister for Agriculture, takes part in his first annual price review.

Mr. Walker's demand for a 5 per cent devaluation of the "green pound" is likely to irritate those countries ready, if reluctant, to accept price freeze on agricultural products, while his determination to see milk and sugar production will bring him into conflict with France.

The nine Farm Ministers will begin intensive talks on Commission proposals for a general freeze on common prices, a tax of about 5 per cent on milk production, a cut in sugar subsidies, and related measures.

However, a settlement this week is highly unlikely.

This farm price review might test the UK Government's belief that British policies *vis-à-vis* the EEC, which have not altered fundamentally with the change of government, will be more successful if ursued in a more co-operative manner.

If Mr. Walker can persuade fellow Ministers to accept his demands in the interest of European unity, many will regard it as an impressive triumph.

Mr. Walker is determined to secure the effective cuts in income from milk and sugar that the measures would bring about, in the hope that EEC farmers will start producing less of them.

Milk and sugar surpluses constitute an enormous drain on the EEC budget, to which Britain is the largest net contributor. That is because farm spending, which swallows three-quarters of the EEC budget, gives little to Britain's relatively small farm sector.

Eliminating those surpluses would go far to reducing Britain's net contribution.

Mr. Walker is making things difficult for himself with two controversial demands. First, he wants British farmers exempted from the price freeze—he has asked for a 5 per cent devaluation in the "gree pound" to give British farmers a corresponding price rise (with another 5 per cent for pork and bacon this year, and a further 5 per cent on all other products next year). That would follow the 5 per cent devaluation approved last March.

Second, he is insisting that the milk tax should apply to small farmers as well as big ones, contrary to the Commission's proposals.

The proposed exemptions would help small farmers in Bavaria and France, for example, but most British farmers are too big to benefit.

France wants a 2 to 3 per cent general price rise, the necessary condition for persuading West Germany to cut its "green rate" by a similar amount, thus reducing the comparative profitability of West German agriculture.

The demand for an extra 5 per cent devaluation on pork and bacon will infuriate the Dutch and the Danes, whose subsidies on exports to Britain would be wiped out. Mr. Walker's insistence on having no exemptions from the milk tax might desrtoy all chance of getting the tax accepted in its present form.

Need for oil leads to delay on gas flaring restrictions

BY KEVIN DONE, ENERGY CORRESPONDENT

SHELL AND Esso are to be given permission by the Government to continue flaring into the atmosphere very large volumes of associated gas from the Brent Field in the North Sea.

The Department of Energy is understood to have reluctantly deferred plans for tightening its restrictions on gas flaring at the field. This is because any limitation would also hit crude oil production.

Oil companies are rationing deliveries of oil products in the UK as a result of the general shortage of crude oil supplies to the world market. The Government has, therefore, decided that any cut in North Sea crude production would be unacceptable.

As a result, between 450m and 500m cubic feet a day of natural gas—equal to about 10 per cent of the UK's total natural gas production—is likely to be lost over the next six months as associated gas from the Brent Field continues to be flared into the atmosphere.

Shell, the operator of the Brent Field, the largest oil find in the UK sector of the North Sea, has been working hard to instal gas re-injection equipment on the four Brent platforms.

These units would allow for much of the gas that is produced along with the crude oil to be separated offshore and re-injected into the reservoir for production at a later stage of the field's development.

But Shell has run into major problems with the installation and operation of the gas compressors. Originally, it had been hoped the gas could be re-injected and, by the end of the year, as much as 80 per cent could be conserved.

But it is understood that less than 5 per cent of the associated gas produced from the Brent Field is being re-injected.

At stake, however, is crude oil production that by the end of the year could reach about 245,000 barrels a day. The Brent Field is producing a 13 to 14 per cent of total UK North Sea crude oil output.

When the full development of Brent is completed, the natural gas will be brought ashore from the field by pipeline to a terminal at St. Fergus.

The field has one of the highest ratios of gas to oil of any of the North Sea discoveries and at peak production it will be providing about 15 per cent of UK gas consumption.

But delieveries to British Gas are not due to start until October next year, when the terminal is commissioned. For the next few months at least the Brent Field will account for about two-thirds of the total 700m to 750m cubic feet a day that will be flared overall in the North Sea.

In practice, Shell's consent to flare at these very high levels is likely to run for at least the next six months, but it will probably have to be renewed formally at the end of September.

As a consolation for the loss of the gas, it is thought that the Government is insisting that all crude oil from Brent is refined in the UK. Both Shell and Esso should be well able to meet this condition with their large UK refining capacity.

Receiver's duties may alter

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

WIDE-RANGING changes in company insolvency law, particularly concerning the duties of receivers, seem likely to be recommended by Sir Kenneth Cork's Insolvency Law Review Committee when it reports next year.

The committee is believed to be looking for ways of making receivers — the individuals appointed to realise assets when companies default on debentures —more generally responsible to interests involved with the company. These would include employees and creditors. At present, the prime responsibility of a receiver is to the holder of the debenture charge.

The committee has received much evidence indicating that under present arrangements the small unsecured trade creditor is increasingly losing out when a company goes into receivership.

The clearing banks are believed to have told the committee that trade creditors are already protected because their profit margins are pitched at such high levels that they take into account the risk of a customer's insolvency.

The banks also refute suggestions that they often delay too long, against the interests of other creditors, before appointing receivers.

Other aspects of receivership likely to be included in the Cork committee's recommendations include a proposal that a committee of creditors should be formed in all receiverships, with a right to take court action against the receiver if necessary, and plans for fee scales and minimum qualifications.

The committee is examining the increased use of fixed debenture charges on debtors by the clearing banks. Until recently it had been assumed that fixed charges whereby security for a loan is specifically related to individual assets—could be obtained only on fixed assets such as buildings or plant.

Lending for working capital was generally thought to be best secured by a floating charge, a security method whereby the charge "floats" over the general body of current assets, without being attached to any item in particular.

In recent years the floating charge has fallen out of favour with bankers because of the expansion of preferential claims resulting from value added tax and the increased tendency for suppliers (trade creditors) to reserve ownership of goods until they are paid for. By taking a fixed charge on debtors, the most attractive part of the current assets, the banks are put in a highly advantageous position, because fixed charges have first right to repayment in an insolvency.

Barclays Bank has included a fixed charge on debtors in its standard debenture form for several years, and National Westminster is now doing the same. Lloyds Bank is expected to follow shortly.

The Cork committee, set up more than two years ago, expects to report in the latter part of 1980. It has already received some 150 written submissions. The committee has named September 30 as the deadline for any further evidence.

Saudis sign crude deal with Italy

BY PAUL BETTS IN ROME

SAUDI ARABIA has for the first time concluded a deal with Italy under which it will supply crude oil directly to the Italian State Hydrocarbons Agency, ENI, bypassing the main oil companies.

The deal, involving 12.5m tonnes of crude over the next two an da half years, represents a major step by the Italian state company to replace crude previously supplied by Iran.

The weekend agreement, following four months of negotiations, will mean the Saudi Arabian state oil group, Petromin, will sell some 2.5m tonnes of crude to ENI this year, a further 5m tonnes next year and another 5h tonnes in 1981.

The agreement will increase Italy's overall imports of Saudi crude to 34.5m tonnes this year, most of which is supplied by the international groups. Imports from all sources are expected to be about 104m tonnes this year.

Italy is expected to pay official market rates for the Saudi crude, but the agreement is also understood to involve eventual exorts of Italian technology, know-how and equipment to Saudi Arabia in exchange for oil.

During recent months, ENI has successfully sought to diversify its oil imports to help meet in part the shortfall of 14m onnes of Iranian crude this year.

ENI has already secured from Iraq and Libya additional imports this year of 3m tonnes and 1m tonnes of crude respectively.

Although the agreement with Saudi Arabia will help ease Italy's present energy problems, the situation is still regarded with great uncertainty.

Private oil companies are continuing to warn of imminent shortages in the supply of petrol and fuel oils, and the Italian Government is expected to announce energy-saving measures and increases in the price of some refined products, particularly fuel oil, in the next few days.

During the first five months of this year, petrol consumption in Italy increased by 10 per cent, while the consumption of fuel oil rose by 17 per cent over the same period last year.

CBI urges laws to curb union powers

BY JOHN ELLIOTT

DETAILED PROPOSALS to restrict the operations of closed shops by changing the law and introducing a statutorily backed code of practice are to be submitted later this week to Mr. James Prior, Employment Secretary, by the Confederation of British Industry.

They form part of a package of plans for legislative changes that the CBI's employment policy committee is putting to its monthly council meeting on Wednesday.

Other proposals are aimed at limiting picketing, cutting social security benefits for strikers, and changing the rules governing the operation of the Advisory, Conciliation and Arbitration Service. The proposals are based on policies that the CBI has been preparing for some time and are broadly similar to the Government's plans.

Sir John Methven, CBI director-general, said he hoped a Bill containing the proposals would be published by the autumn so the Government's measures for limiting picketing would be widely known before strikes began under the next pay round.

"It will then be utterly clear what the legislation is to be and any widespread misuse of secondary picketing might well then, I believe, hasten the passage of the legislation."

The CBI wants the legislation to limit the right to picket to people directly involved in a dispute at their place of work.

On closed shops, the CBI favours a compulsory secret ballot among workers before any new arrangements are introduced, along with periodic reviews to check that the workers involved still support compulsory union membership.

A code of practice on "reasonable operation" methods would set out the details of how this would work. It might say that 85 per cent of a workforce should vote in favour before a closed shop became lawful.

Existing employees would have the right to refuse to become union members. Only those employed after the closed shop came into force would have to join. Conditions on which a worker could opt out on grounds of conscience would be widened and there would be special arrangements for independent appeals.

In addition, the CBI suggests that social security payments to strikers' families should be based on the assumption that strikers are receiving £10-a-week strike pay from their trade unions.

Weather

UK TODAY

MOSTLY DRY with sunny periods.

England, S. and Cent. Scotland, Ulster, Wales, Channel Is.

Dry with sunny periods. Max. 23C (73F).

N. Scotland, Orkney and Shetland

Cloudy. Some drizzle. Max. 16C (61F).

Outlook: Mostly dry, sunny periods. Cloudy in N.W.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	23	73	Locarno	F	20	68
Algiers	S	23	73	London	C	19	66
Amsdm.	F	17	63	Luxmbg.	F	14	57
Athens	F	31	88	Luxor	S	41	110
Bahrain	S	36	97	Madrid	S	23	73
Barclna.	S	21	70	Majorca	S	25	77
Beirut	S	27	81	Malaga	F	23	73
Belfast	C	15	59	Malta	C	27	84
Belgrd.	F	22	72	M'chstr.	C	16	61
Berlin	S	18	64	Melbne.	C	15	59
Biarritz	S	20	68	Milan	C	21	70
Bmghm.	C	16	61	Montreal.	C	24	76
Blackpl.	C	15	59	Moscow	C	27	81
Bordx.	S	19	66	Munich	R	9	48
Boulgn.	C	15	59	Nairobi	R	23	74
Bristol	C	17	63	Naples	C	19	66
Brussels	F	16	61	Nwcstl.	S	19	66
Budpst.	C	17	63	N. York	S	23	74
B. Aires	S	14	58	Nice	F	20	68
Cairo	S	35	96	Nicosia	S	31	88
Cardiff	F	17	63	Oporto	S	27	81
Cape T.	S	19	66	Oslo	S	18	64
Chicago	C	23	74	Paris	F	20	68
Cologne	C	15	59	Perth	S	17	63
Cpnhgn.	F	15	59	Prague	R	11	52
Corfu	F	30	86	Reykjvk.	R	7	45
Dublin	S	17	63	Rhodes	S	33	91
Dbrvnk.	R	19	66	Rio J'o	S	27	80
Ednbgh.	F	17	63	Rome	F	22	72
Faro	S	26	79	Salzbrg.	R	9	48
Florence	F	21	70	Singapr.	C	30	86
Frankft.	S	18	64	Stckhm.	S	20	68
Funchal	C	22	72	Strasbg.	S	19	66
Geneva	C	12	54	Sydney	S	19	66
Gibrltr.	F	22	72	Tehran	S	27	80
Glasgow	F	15	59	Tel Aviv	F	27	81
G'rnsey	S	15	59	Tenerife	F	18	64
Helsinki	F	20	68	Tokyo	S	28	83
H Kong	C	26	78	Toronto	S	26	79
Innsbrk.	R	8	46	Tunis	F	25	77
Invrnss.	S	18	64	Valencia	S	24	75
I.o.Man	C	13	55	Venice	F	20	68
Jersey	S	16	61	Vienna	F	17	63
Jo'burg	S	12	54	Warsaw	R	21	70
L. Plms.	F	22	72	Zurich	R	10	50
Lisbon	S	30	86				

C—Cloudy. F—Fair. R—Rain. S—Sunny.

Company taxation changes soon

By David Freud

THE GOVERNMENT is determined to change as soon as possible the way in which tax on companies is adjusted for the effects of inflation.

Because of this, the new inflation accounting code under discussion within the accounting profession could become the basis for company taxation as early as the 1980/81 financial year.

In last week's Budget speech Sir Geoffrey Howe told the Commons that he was arranging for the Inland Revenue to consult the accountancy profession and business later in the year.

"It is important that the tax system should take account of the effects of inflation on business, and to do so in a way that is reasonably objective, equitable and simple to administer," he said then.

"The Government will therefore be reviewing this matter along with the accountancy profession's latest proposals for current cost accounting."

The Government is dissatisfied with the system of adjustment for inflation — the stock relief scheme — which developed on an ad hoc basis under the Labour Government.

It also views the other effective tax adjustment for inflation — the 100 per cent capital allowances for investment in plant and machinery —with some suspicion, especially because of the arbitrary effect in taxing profits caused by the growth in leasing.

Therefore, if the accounting profession accepts the new draft standard — Exposure Draft 24 — released in April, the Government will quickly switch to using this as the basis for company taxation.

The draft, which proposes an inflation adjustment in the form of a supplementary statement covering the top 5,500 UK companies, is open for discussion until September.

Continued from Page 1

France oil plan

countries should be urged to adopt similar commitments.

Consuming countries in the EEC and elsewhere should also act to prohibit imports purchased on the spot market at prices substantially above those charged officially by the oil exporting countries.

The EEC should give top priority to nuclear power in developing non-oil energy resources. Unless nuclear programmes are vigorously pursued, the memorandum says, there will be no economic growth in future years and the cohesion of the whole international economic system may be put in doubt.

Steps should also be taken to encourage more use of coal in power stations and manufacturing industry. While it does not specifically recommend increased Community aid to coal mining, the paper says that the EEC should concentrate its financial resources, notably the $1.4bn lending facility, on the energy sector.

To help the Third World, it suggests that oil producing countries should be invited to join consuming countries in contributing to a new expansion of World Bank development programmes and to the setting-up of a scheme to encourage oil exploration, especially in the developing world.

France's approach to the energy problem is expected to provoke considerable debate today. Several countries, including Britain, believe it would be more realistic to achieve a cut in oil imports through stricter demand management and conservation policies than by setting rigid volume limits.

Continued from Page 1

Carter blueprint

vague hope that it might even be possible to agree with Russia on further mutual arms reductions before the SALT III treaty expires in 1985.

But at this stage, inclusion of the MX mobile missile system, whose development Mr. Carter called for only nine days ago, in any such cuts was not on the cards unless an equivalent and significant concession was forthcoming from the Soviet Union.

David Buchan writes from Washington: Senator Henry Jackson predicted yesterday that the U.S. Senate would send the SALT II treaty back to the Russians for renegotiation to make it more "equal and verifiable" for the U.S.

The senator expected to lead the fight in the Senate aginst ratification of the SALT accord as it stands, said UN television that among it inequalities were the unilateral advantage given the Soviet Union in heavy nuclear missiles and the omission of its backfire bombers from ceilings put on nuclear launchers.

THE LEX COLUMN

Connecting STC to the market

Fate has not dealt kindly with the marketing of STC, for share prices have been notably weak recently while there was a late blow from the Budget cut in income tax which caused the prospectus yield at 160p to be amended at the last minute from 7.5 to 7.1 per cent. On the other hand the issue plainly has a great deal going for it. The electrical and electronic sectors of the equity market have been far stronger this year than most of the other manufacturing areas, while this is very much of an institutional grade share and it provides a much needed alternative to Plessey as a way into the telecommunications industry.

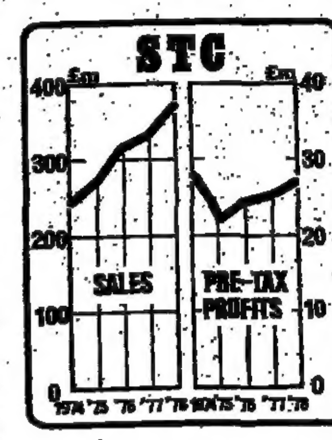
As with Plessey, however, there is nothing very glamorous about STC. The risky high technology — like 64k RAM devices—has been left out of the package now being floated, as have the consumer electronics interests, and various bits and pieces associated with the international tentacles of the parent of ITT. The spin *has had the effect of turning* a slight fall in the originally reported 1978 pre-tax profits of STC into a slight rise in the prospectus version of the profit record, but there is no disguising the overall flatness since the peaks of 1973 and 1974.

Both of the two remaining divisions — telecommunications and electronics (about 80 per cent of pre-tax profits), and components have found growth hard. The transition to electronic switching in telecommunications has cost £15m directly (and has further hit profits indirectly) through the need over four years to revolutionise production methods and shed a third of the related workforce. In components, manufacturing margins have come under pressure though there is an important distribution side which has done better.

STC

Even sales have scarcely been buoyant. Deflating the figures somewhat crudely in terms of the retail price index suggests that real volume since 1974 has shrunk by 15 per cent (and by more than a fifth for telecommunications alone). This highlights the fact that in electronics progress can often mean smaller and cheaper products—a dangerous road to travel along. Yet for STC there are solid reasons for thinking that a better period is now opening up.

In 1979 profits are forecast to rise by 19 per cent to not less than £32m pre-tax, reflecting the beginning of the benefit from rationalisation. Furthermore STC has a lead over its UK rivals GEC and Plessey in the development of TXE4 and TXE4A, the telephone systems which will represent the bulk of Post Office ordering in the 1980s. This is allowing STC to



take some market share from its larger competitors.

Against the yardstick of Plessey—which will report for 1978-79 on June 28, the day STC dealings begin—STC shares should be worth a premium of a tenth or so on the issue price.

Investment Trusts

Investment trust shares are likely to stand at a discount of 10 to 15 per cent on net assets even in the most favourable circumstances. Some trusts could gain from various types of capital reconstruction. Others have too narrow a circle of directors, or too incestuous a relationship with each other. Except in rare cases, trusts should distribute all their earnings in dividends.

These are some of the suggestions in a confidential report currently being circulated among members of the Association of Investment Trust Companies. The trusts are under attack, with bidders prowling outside their walls and shareholders grumbling within. In response, the Association commissioned a merchant bank, Morgan Grenfell, to look into ways of improving the trusts' appeal to investors and their standing in the market.

Its starting point is the fact that investment trust share prices nowadays are set by the institutions, which own about two thirds of their shares and have to mop up a continuing stream of sales from the personal sector. The institutions value the trusts' shares in relation to other investments open to them, and take into account management charges (about 5 per cent of income), tax inefficient retentions and other indirect tax costs. So the *discount is not simply the result* of an oversupply of investment trust shares.

But, the report argues, the importance of the discount has been overplayed, partly because of the way that stockbrokers encourage their clients to trade in and out of shares as the discount widens and narrows. For a long-term investor the *overall return is what matters.*

Most trusts have now lost what used to be one of their main attractions—a worth while measure of gearing—and with interest rates at present levels there is no easy way of reintroducing debt. Morgan Grenfell has some nice ideas, though, like a scrip issue in preference shares—which might also help to narrow the discount since the preference would be valued on a yield basis. Some trusts might try a complete reconstruction, swapping equity for new equity plus a convertible. That way they could contract gracefully by buying in the loan during bear markets. But the report says that trusts should not press to be allowed to buy in their own shares directly. Apart from the scope for manipulation, that would be an outright admission of defeat.

One harmless gimmick would be a rising coupon stock, with an initial yield of perhaps 6 per cent rising to a fixed 20 per cent after eight years. The equated yield would be no less than on a conventional fixed interest stock, and a manager who fancied his talents could hope to build up an income stream to cover the rising interest costs and to retain any capital appreciation for his shareholders.

Other suggestions are more questionable. The disadvantage of specialised trusts, for *instance, is that they face a double blow* if things go wrong—the discount widens and net assets fall. Trusts might be able to spread their costs by setting up active dealing subsidiaries—but the reverse might also be true. In general the report has not come up with any sure-fire, but it should give managers—and their shareholders—plenty to think about.

Rail pension art stake up £5.75m

By Eric Short

THE MAIN British Railways pension fund invested a further £5.75m in works of art last year, says the 1978 report and accounts of the two British Rail superannuation funds. This brought the book value of the portfolio to £18.5m at the year. It comprised nearly 950 items.

Mr. John Morgan, general manager of the funds, decided in March to call a halt to investment in works of art. The intention is to round out the collections and then cease such investment altogether. The funds started investing in works of art in 1974, and their actions have aroused considerable outside criticism.

Last year the funds' main investments were in UK equities. The main fund's net investment here was £55m, spread over the major sectors of the market, with £12m in the capital goods sector, £13m in financials and £9m in oil companies.

A further £23m was in overseas equities, mostly assets acquired as a result of the purchase of the Edinburgh and Dundee Investment Company. A further £25m was invested directly in property.

At the end of 1978, the total investments held by the pension funds amounted to just over £700m, of which 60 per cent was in UK equities, 5 per cent in overseas shares, 18 per cent in property and 10 per cent in UK fixed-interest holdings.

Works of art accounted for 2.7 per cent, and direct investment in small companies 0.5 per cent.

The funds' total income was £112m, compared with £101m in 1977. Contributions from employees were £16m, with British Rail paying £55m in contributions. Investment income accounted for the remaining £41m.

Over £25m was paid in pensions and £7m in lump sums on retirement. There were over 70,000 members of the schemes at the end of 1978, and about 34,000 pensioners and other beneficiaries.

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